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15 June 1984

# West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

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15 June 1984

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## CONSERVATIVE DAILY ATTACKS SDP STANDS IN FOLKETING ARMS DEBATE

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 84 p 8

[Editorial: "Castle in the Air"]

[Text] The majority in the Folketing yesterday voted that the world should be different.

With a series of orders and instructions to the government, the non-government supporting majority yesterday delegated the task to the government to seek to have the United States and the Soviet Union agree on everything they so far have not been able to agree on, so that Denmark can continue to be free of nuclear weapons for all eternity in a more peaceful world. The government said that it can live with it as it is and that this life is not all that bad when it comes to reshaping the world.

The 3 May resolution was a summary of the seven earlier security policy resolutions that the non-government supporting majority had passed during the last year and a half. Thereby the last hectic approvals were again put into formulations that might seem somewhat cautious. The Nordic nuclear-free zone was not brought forth as an isolated phenomenon this time but mentioned in a "greater European connection" which last year was defined as "zones that cover both sides of a border line that divides Europe" and it was stated that nuclear-free zones must be guaranteed by the United States and the Soviet Union. But the fact that this spring's Social Democratic dissolutions were put into a frame does not turn them into pictures from real life.

The government was ordered to get the United States and the Soviet Union to stop deployment of missiles in Europe and dismantle those that are already deployed; they shall also suspend all testing of nuclear weapons; stop their production and freeze stockpiling; enter into an agreement about not firing nuclear weapons first and not at all in Europe and never in space.

As basis for Denmark's security policy, it could not have been written better by Prime Minister Olof Palme. But this has no connection with Danish reality in European present times which is based on joint western defense cooperation around a strategy in which nuclear weapons play a crucial role. The philosophy behind the security policy program which the Folketing has outlined is a chain of neutral and disarmed states stretching from the North down through

Europe; for those who want to live dangerously this may sound attractive. But it is not a philosophy that is consistent with an active membership in the Atlantic Alliance.

The thought of the Danish government working for this whole register of unrealistic demands "in NATO and other international organs" is an appalling perspective. One has to be maladjusted from the last year and a half security policy debate in Denmark in order to be able to see the resolution yesterday as a sign of the Social Democratic Party being back on its way to sensible and responsible party. It is a political road sign for an alliance-free nation.

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## PROGRESSIVE PARTY DISINTEGRATING AS DEFECTIONS CONTINUE

Candidate for EC Parliament Quits

Copenhagen BERLINGSKE TIDENDE in Danish 30 Apr 84 p 4

[Article by Dan Axel: "Second on Progressive Party List Withdraws"]

[Text] Kaare Prien, councilman and member of the Capital City Council, does not want to remain a member any longer: "The party is virtually without leadership," says Prien.

The defection of prominent members of the Progressive Party is spreading. Yesterday, the number two man on the party's slate for the EC parliament elections on 14 June, Kaare Prien, announced to the Progressive Party in an open letter that he is withdrawing from the slate.

"It is now clear that the Progressive Party no longer has any political or organizing leadership," said Kaare Prien, who is the party's councilman in Ishoj and a member of the Capital City Council.

"It is now clear that almost all popularly elected and organization people who have had influence, capabilities and desire to work objectively for the party, have either joined the Free Democrats or plan to do it," say Prien.

He thinks that support for the Progressive Party's EC slate after the split would be support for the EC opponents. Instead of being a candidate himself, Prien recommends that people vote for one of the lists supporting EC.

Fourteen days ago, the number three man on the slate--former Progressive Party member of parliament Borge Halvgaard--withdrew from the EC slate as the party was not successful in reaching an electoral pact with other parties in the elections. The eleventh man on the slate, Simon Larsen, has also withdrawn his candidacy.

Alone at the Top

Mogens Glistrup is therefore all alone at the top of the Progressive Party slate and he will on the one hand have difficulties in providing the over 160,000 votes needed for an EC mandate and on the other hand, his eventual mandate will be rejected on the basis of the prison sentence in Denmark.



In other words, Mogens and Lene Glistrup are all alone in the Progressive Party organization after three Executive Board members of six--National League Chairman V.A. Jakobsen, Lis Jensen and Deputy Chairman Hans Kr Hojsgaard--have withdrawn. The two first mentioned have joined the Free Democrats--and Hojsgaard has protested against the harder-line that now is in the majority on the Executive Board.

Hans Kr Hojsgaard remains in the Progressive Party because he agrees with Glistrup's policy. The reason for Hojsgaard giving up his position on the Executive Board and his candidacy for parliament for Esbjerg is that he disagrees with Glistrup's organizing line which is against effective buildup of the membership organization.

#### City Council Members Desert

Copenhagen BERLINGSKE TIDENDE in Danish 3 May 84 p 11

[Article by Michael Rastrup Smith: "The Number of PP City Council Members Deserting Increases Steadily"]

[Text] The Progressive Party is now completely disintegrating locally. Neither Copenhagen's municipality Ishøj nor Graested-Gilleleje have PP members on the city councils.

The Progressive Party is no longer represented in the country's largest municipality, Copenhagen. Both Per Bo Gronbech and Ib Persson have left the party and are now expected to join the new party, the Free Democrats.

"I will participate in the founding party meeting in Odense this Saturday," said Chief Physician Ib Persson.

In addition, Carsten Thorsen, who up to now was the Progressive Party chairman in the Copenhagen administrative district, has also resigned from the party:

"I expect that many party members in the Copenhagen administrative district will gradually follow. Many are probably awaiting the founding meeting for the Free Democrats in Odense this Saturday before they leave the Progressive Party."

Thorsen states that, among other things, the party league in Brøndby is disintegrating. There is a question whether in general there will be enough board members to make a quorum.

The Progressive Party is no longer represented in Ishøj. The party league has disintegrated as the chairman of the league, Bent Jensen, has resigned from the party and the two members on the town council, Ove Hessel and Kaare Prién, have resigned.



"There is no actual reason why we decided to leave the Progressive Party just now, but the unrest in the last years has made us lose faith in the party," says Bent Jensen.

Jensen states that neither he, Ove Hessel or Kaare Prien have made a decision to join the Free Democrats.

The two Progressive Party members Bent Thomsen and Svend Rosenkilde, until now town council members in Gilleleje, continue as independents after having resigned from the party.

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## POP CONGRESS FACES KOIVISTO CHALLENGE

## Chairman Ehrnrooth on Outlook

Helsinki HELSINGIN SANOMAT in Finnish 12 May 84 p 11

/Unsigned article: "Constitutional Conservatives Meet For Party Congress: Ehrnrooth Tries To Maintain POP Bridgeheads"/

/Text/ If the POP /Constitutional Conservative Party/ is able to preserve its bridgeheads in Finnish politics, it may become a participant in the new political division and move upward.

This is the way POP Chairman Georg C. Ehrnrooth today outlines the POP's prospects on the eve of the party congress being held in Helsinki.

For the POP it really is a question of political bridgeheads. Ehrnrooth is his party's only parliamentary representative, and, in addition, 5 of the 14 delegates chosen in municipal elections nearly 4 years ago have left the party during the election period.

In the 1983 parliamentary elections the POP had a knife at its throat, but the alliance for election purposes made with the SMP /Finnish Rural Party/ saved the representative's seat for Ehrnrooth.

Failure in the elections would have meant the POP's deletion from the register of parties and thus obviously the beginning of the death struggle.

Support for the Constitutional Conservatives has declined during the POP's 10 years of activity. The POP was involved in parliamentary elections for the first time in 1975, and the result was 43,344 votes in the entire country.

Four years later nearly 35,000 voters still cast ballots for the POP, but support dropped to 11,104 voters in the 1983 parliamentary elections.

Ehrnrooth's party achieved its best election outcome with its own candidate in the 1978 Kekkonen elections, or nearly 83,000 votes. The POP's candidate was Dr Ahti M. Salonen. Ehrnrooth wedged his party into Mauno Koivisto's bandwagon 2 years later, but the result was failure. The POP's support stayed at about 9,500 votes.

Ehrnrooth is satisfied with the actual election outcome, in other words, Koivisto's rise to the presidency after Urho Kekkonen. In his opinion the atmosphere is more liberated, nor are any parties shoved into a corner, as in Kekkonen's time.

He gives the president a grade of 8-, which "is quite good after 2 years." Ehrnrooth says he understands the background of Koivisto's Sarajevo statement.

There is reason to restrain ultrapatriotism when it appears in connection with athletic competition, Ehrnrooth says, but he nevertheless considers the moment the statement was given, right after the Olympic success, unfortunate.

The leader of the Constitutional Conservatives does not set particularly great goals for his party. It does not make much difference whether there is one representative or four in the Parliament, Ehrnrooth says and adds, "One person can also be a spokesman for balance."

The POP chairman believes in a moderately successful outcome in next autumn's municipal elections. The POP has candidates in Helsinki, Espoo and Pohjanmaa. In Ehrnrooth's opinion there is no use making a run for those city councils in which local matters are uppermost.

In the 1970's the POP was clearly considered an ultraconservative party. Ehrnrooth says, however, that it was an accusation of the Kekkonen line and now of the Coalition Party's men in power.

"Clear Conscience"

Ehrnrooth believes that the Constitutional Conservative Party will be needed in the future. He sees POP's function in the fact that "POP is the only party which really strives to keep public expenditures in check."

If we accept the Coalition Party's interpellation, then in the name of consistency we should also accept the tax increases which the Coalition Party's policy, if implemented, would bring in its wake, says Ehrnrooth.

He considers the policy of other opposition parties, if not misleading, then at least inconsistent. We have a clear conscience, Ehrnrooth confirms.

The POP party congress will today re-elect Ehrnrooth the POP's chairman. Party Secretary Panu Toivonen may likewise continue in his post.

On the other hand, there will be new faces among the party's deputy chairpersons, because Professor Inna Koskenniemi left the party together with the party's entire Turku district organization.

Starting out originally from the RKP [Swedish People's Party], Ehrnrooth's journey as leader of the Constitutional Conservatives has been quite stormy, because the supporters around him have often changed.

## New President, New Image

Helsinki HELSINGIN SANOMA. in Finnish 13 May 84 p 6

/Article by Kyosti Karvonen: "Ehrnrooth Pumped Belief Into Thinned-out Ranks; Leader of Constitutional Conservatives Praised Koivisto, Sorsa and Government"/

/Text/ Breathing its very last, the Constitutional Conservative Party on Saturday tried to pump new belief into its thin ranks at its sixth party congress in Helsinki.

The POP, which for years was considered the leading star in the opposition to President Urho Kekkonen, lost its profile in the exchange of presidents. At the party congress held in the Arkadia coeducational secondary school a new profile was sought by praising the government, Social Democrats and, in the already familiar manner, President Mauno Koivisto.

The POP is hunting for a new profile with old faces. Parliamentary representative Georg C. Ehrnrooth, who for 10 years has guided the POP balanced on the edge of the abyss, was again elected to the party leadership.

"The Constitutional Conservatives have their tasks today just as they have had then during our entire 10-year stretch," Ehrnrooth assured the audience, gray-haired for the most part.

On the other hand, the party congress, which was composed altogether of 39 official congress representatives (the public was 123), found itself making adjustments with the deputy chairpersons for the new belief. Last year the party dismissed the Turku district organization and at the same time deputy chairperson Inna Koskenniemi.

Borje Hielm continues as first deputy chairperson for the next 2-year period. Mirja Kuusisto was elected second deputy chairperson in place of Koskenniemi. Panu Toivonen continues as party secretary.

POP regulations allow the election of 60 members at most to the party council. So far there have been 38 members, but the new council was increased to over 40 members. The number was raised by the elevation of eight Helsinki youths to the council in order to invalidate the idea of the POP as a "sunset party."

### Unusual Methods

After Kekkonen was exchanged for Koivisto, the POP was anxious to build up a new look for the party. The party attempted to get on the Koivisto bandwagon, but with weak results.

All methods are permissible for a party peering over the edge of the abyss. In his survey of the situation Chairman Ehrnrooth therefore directed the POP's policy in a manner which is unusual for the leader of a conservative party. To the familiar commendations of Koivisto he added praise for the Social Democrats, Prime Minister Kalevi Sorsa and the government's economic policy.

"Today no one can dispute the fact that the economic policy is more affirmative from the standpoint of market economy than in Urho Kekkonen's term. The Social Democratic Party has become more moderate under the leadership of its chairman, Prime Minister Sorsa," praised Ehrnrooth.

The influential forces of the SDP [Social Democratic Party] do not oppose the "common sense" economic policy pursued by Koivisto as prime minister and as governor of the Bank of Finland, Ehrnrooth believed.

In the familiar manner Ehrnrooth handed out criticism of the largest opposition party, the Coalition Party: "The SDP's shift to the right has taken place at the same time as the Coalition Party has departed from the conservative line on many issues and placed itself to the left of center on certain questions," Ehrnrooth said and gave his opinion that there is no hope of the Coalition Party's return to a course of action suggestive of a nonsocialist alternative.

Ehrnrooth considered the government's economic policy to meet "the requirements set by both the trade outlook and the market economy" better than before. He regarded the government base as a lesser evil than other alternatives, for example, replacing SMP with the SKDL [Finnish People's Democratic League].

Although Ehrnrooth disagreed that the vigor of the Constitutional Conservatives had declined at the end of the Kekkonen term, he conceded that the party's profile had become lower than in those years when "the democratic system experienced an ice age."

Ehrnrooth's survey of the situation exactly mirrored the course of action which he has followed in the Parliament. The one-man "POP parliamentary group" has supported the government in votes of confidence, praised its economic course of action and, unlike the rest of the opposition, long refrained from attacking the SMP.

Ehrnrooth returned to the Parliament thanks to the alliance for election purposes entered into with the SMP. The Turku district organization left the POP after opposing collaboration and alliance for election purposes with the SMP.

"Not One Has Come To This Point"

Party Secretary Toivonen, who gave an account for the party's activity, sought consolation for the fact that the POP has only one parliamentary representative and, after the desertions, nine municipal delegates. Not one party has come to this point, and we have nowhere to go but up, Toivonene said cuttingly.

Thanks to the "cursed party aid" the party can now maintain contact outside the region of the capital city, too, said Toivonen and stated that the party's budget had been drawn so tight that envelopes were turned inside out and paper was used on both sides.

The POP had staged its 1-day party congress at an early date to avoid a loss of publicity, which would have threatened it in a couple of weeks when the series of large-party congresses begins. Toivonen found a lot of symbolism in

the day of the congress: Saturday was Snellman's day, the eve of mothers' day, Lotta's day ("you do remember Lotta-Svard") and also according to the orthodox calendar the day of Germanos.

The party congress representatives engaged in a short general discussion. In the opinion of Lasse Koskinen, foreign policy is studied like the Old Testament without permitting new interpretations. He felt that the Green Movement contains too much rhubarb, "reddish green, which tastes sour."

Hannu Heiman suggested sending peace defenders and men doing nonmilitary service to dismantle the mines off the coast of Nicaragua. The SKDL had proposed Finland's participation in the minesweeping.

Erkki Hirstio thought that Finland is a governmental state which exists in a condition of militarily lower class guardianship, a state in which not even a voluntary home guard can be established. He warned Ehrnrooth that the POP cannot play at being an important party.

Heikki Rautiainen, who discussed the POP's activity in Oulu, stated that over the years he had provided many parliamentary representatives with instructions about military veterans' affairs, but "the instructions were not acted upon."

He accused the Coalition Party's conservative parliamentary representative Tuure Junnula of being the servant of two masters.

In the accepted, main declaration the party congress feels that Finland needs a conservative economic policy and suggests the privatization of state and municipal operations. Their economic problems derive, for the most part, from the Left, the declaration says.

Attached to the party congress papers was an appeal for people to gather in the studio to follow Ehrnrooth's appearance in the program "He is here today." "Applause is needed at appropriate spots!" states the communique.

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## COT ON IMPORTANCE, REQUIREMENTS OF THIRD WORLD COOPERATION

Paris LIBERATION in French 11 May 84 p 24

[Interview with Jean-Pierre Cot, former minister of cooperation, by Pierre Haski of LIBERATION, "Cot and Pisani, Two Shameless Third World Advocates," date and place not specified]

[Text] The former minister of cooperation and the current European Development commissioner in Brussels, publish simultaneously two pleas for a new approach to third world problems. Jean-Pierre Cot explains his positions to LIBERATION.

Two Socialists have gone to the barricades in defense of a certain brand of pro third world policy. Jean-Pierre Cot and Edgar Pisani, both members of the same Rocardian branch within the PS [Socialist Party], the first, former minister of Cooperation and Development, the second, current European Development commissioner in Brussels, publish at the same time two pleas in favor of a new approach to third world problems.

"I am not pro third world because of repentance," says Pisani at the outset, probably to disavow the negative connotation that is often stuck on this label. Edgar Pisani's book, "La main et l'outil" [The Hand and the Tool] (Editions Robert Laffont), has a specified purpose: to demonstrate that it is in the interest of Europe, and not only for sentimental reasons, to promote real development in the third world, and at a key moment, that of the renegotiation of the Lome Convention that links the "ten" of the EEC [European Economic Community] to the ACP (Africa, Caribbean, Pacific) nations. "Depending on what it allows to be done, the [Lome] convention will describe the essence of Europe, egotistical or responsible," writes Edgar Pisani, whose well supported exposition does not hide where his own preferences lie.

Jean-Pierre Cot's task is more difficult. For 18 months, after 10 May 1981, he was responsible for the cooperation policy at Rue Monsieur. He was attacked, denigrated, caricatured. In a word, he was disturbing. The former minister refuses to go back over the circumstances and reasons for his departure, emphasizing that "on this point, lovers of sensationalism will be disappointed." Bound by his support for the policies of the president of the [French] Republic--he is third on the PS list for the European elections--, Jean-Pierre



Cot avoids making waves. In his book, "A l'epreuve du pouvoir, le tiers-mondisme pour quoi faire?" [Testing Power, Third World Policies for What?] (Editions du Seuil), the former minister limits himself to a reaffirmation, with supporting examples, of the principles that guided his [overseas] cooperative activity. Jean-Pierre persists and avows his opinions, he explains them in an interview with LIBERATION.

[Question] Pro third world opinion is getting bad press today, yet you persist in claiming the label.

[Answer] Pro third world opinion as such has been attacked and the epithet has been considered almost insulting for a while because pro third world policy was troublesome and provoked reactions. They put the generosity of pro third world sentiment in the same bag, saying that the time is not right, we are in a period of crisis, a Cartier reaction of sorts, and a certain policy towards Africa and the support of nonalignment which also provoked fairly violent reactions. Why am I persisting in and avowing my opinions? Because an intelligent, reasoned pro third world policy is in the self-interest of France. It conforms to both socialist political involvement and to the interests of our nation.

[Question] You seem to be rejecting the realism/idealism debate that surrounded your departure from the government.

[Answer] I am not rejecting it. It is a real debate. But the basis of my demonstration is that idealism is necessary in a well understood realism. On the other hand, if we get locked into a "realpolitik" as it used to be called, a policy strictly limited to our day-to-day interests, we lose everywhere because we don't have the means to carry it out.

[Question] You say that you are in favor of human rights diplomacy. Is it "working?"

[Answer] It is working, with very strict limitations. A human rights diplomacy allows certain successes to be obtained, certain demands to be avoided, it does not solve the problem, however. I believe that such a diplomacy, provided it is carried out with great prudence, but also with great firmness and great coherence, does not undermine our interests, economic and other in any way. Quite the contrary, because it works in the longer term at the same time. The phenomenon of the upcoming generations is a very important one to be taken into account and if we want to have an influence in the long run and not only at the moment, it is very important for us to remain faithful to our image by not compromising ourselves with today's demands.

[Question] You write that French cooperation in Africa must adapt if it wants to maintain itself. What threatens it?

[Answer] First of all, it is having trouble renewing itself. The accusation of neocolonialism is not entirely inaccurate. It is true that our structures for [overseas] cooperation have not changed much. The French working overseas are replaced, often without much understanding of what they do and why. Generally,

the mentality of our people working overseas evolves with difficulty. Now, cooperation must evolve, adapt, if it wants to remain. On the other hand, I believe that our cooperation must avoid compromising itself. We must continue to make an effort to pull our cooperation out of politically sensitive sectors, from the security organizations, etc. In any case, we must be careful not to assume responsibilities that are not ours. Otherwise, we are compromised with systems that are not eternal and will be replaced by others. Finally, our cooperation must succeed, which means that it must really help the economic development of our partners. Therefore, it must be part of a development strategy and not only be a presence, without basis, which is not that obvious at the moment. It is still a great lesson in humility to see that the zone of the world that is the poorest today is exactly the one that has the most interest for us, sub-Saharan Africa.

[Question] Aren't these requirements contrary to maintaining a dominant French influence in these countries, as has been the case since their independences?

[Answer] It is contradictory to the maintenance of a certain political influence. In fact, if we want to continue to manipulate directly, this is perhaps not the best way to go about it. But this conception of French influence is dangerous for the future. It is apt to blow up in our faces if we don't watch out. In fact, we must succeed in establishing another type of relationship that is more respectful of our partners and at the same time firmer towards them. We must not hesitate to have our own opinions on development projects, to require coherence and, if necessary, to make certain directives and conditions in exchange for our aid.

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CSO: 3519/342

## DEFFERRE ON MOSLEM FUNDAMENTALISTS, IMMIGRANT PROBLEMS

Paris LIBERATION in French 11 May 84 pp 14, 15

/Interview with Minister of Interior Gaston Defferre by Claude Lanzmann; date and place not specified/

/Text/ As an introduction to the issue of TEMPS MODERNES, devoted to immigrants from the Maghreb, Gaston Defferre answers questions put to him by Claude Lanzmann, member of the magazine's Editorial Board. We have excerpted the following passages from that interview.

Gaston Defferre: The effect caused by the arrival of a large number of aliens was compounded by the effect of families described as extended, meaning large families consisting of not only parents and their children but also cousins, brothers-in-law and others. In short, family groups often formed by dozens of members who wear their traditional attire and who live according to the customs of their country. For instance they roast lamb in the courtyards.

Claude Lanzmann: That is what Le Pen was saying the other night.

Gaston Defferre: I did not listen to Le Pen but I will say this: "If you were taken somewhere in the Aures or Atlas region and were told that you had to live on camel milk and figs you would say: Very sorry, but I want a steak and French fries." You would want to live in the European style. Previous French governments made a serious mistake when they allowed them to come here without speaking the French language and allowing them to live the way they had always been taught. We could blame ourselves for not having taught them our language and some basic skills before allowing them to come (...)

And now we are witnessing a new development (...) which has changed the elements of the problems already encountered with the immigrants, it is the development of fundamentalism (...)

The Islamic religion has taken on a new nature, at least in part, since the spread of fundamentalism. Today, and this is something which I have observed in my present capacity as minister of interior, the orders arriving from Iran and translated from the Iranian language into plain and ordinary Arabic, are orders to aggression, to violence.

In the mosques of Marseilles, for instance, Islamic worship took place and that was a good thing. Initially, there was wide protesting from the French neighbors living in the districts where those mosques were located, particularly the main mosque, initially protested but later on they changed their attitude and they told me that these mosques helped to keep things calm and to ease tensions. But the fundamentalists are gradually getting a foothold in the mosques where they are becoming officials or leaders, engaging in proselytism and propaganda.

It is a dangerous development because those men can become accomplices when attacks are perpetrated and that is something which cannot be tolerated. What is more, nobody tolerates it any longer and quite rightly. It also makes coexistence between the communities much more problematic not to say much more difficult.

Claude Lanzmann: Are these orders being followed?

Gaston Defferre: Unfortunately they are.

Claude Lanzmann: By whom?

Gaston Defferre: By Moslems.

Claude Lanzmann: By first generation Moslems? By the young?

Gaston Defferre: By Moslems of all generations. And that creates a real problem because the precepts of Islam are not just religious precepts. They are precepts which regulate people's lives in the sphere of civil law, the civil code, marriage, divorce, child custody, men's behavior, women's behavior, completely opposite of what feminists have been trying to achieve for several years in the field of women's rights, for instance. These precepts are in contradiction with what the French law prescribes regarding child custody in a divorce case, they are opposed to women's rights in relation to their husbands. And we have different customs in France. You know that in Beirut, as soon as they got there, the fundamentalists emptied the wine cellars in cafes and restaurants, they burnt everything, they started burning books and so on. We cannot accept a system of intellectual intolerance nor such principles of conduct. The attitude of the fundamentalists is going to foster racism, it will make the situation worse.

Claude Lanzmann: So, in your view, there is a genuine danger, a danger which is real and which exists?

Gaston Defferre: Apart from the logistic support and material aid given to those who carry out acts of violence, this is really going to create turmoil, anxiety and anger among the French population due to the changes in the behavior of a number of Moslems who until now were only practicing their faith and doing it in a peaceful manner. This is something which the French cannot tolerate, nobody can tolerate.

Claude Lanzmann: Acts of violence, what acts of violence are you referring to?

Gaston Defferre: The bombing of the Saint-Charles Railroad Station in Marseilles on 31 December last year which could have resulted in tens of people being killed. The bombing of the TGV /high speed train/ where if the bomb exploded a few minutes earlier or a few minutes later--for instance when two trains were crossing--we would have had a terrible disaster.

Claude Lanzmann: Is it possible to think that the perpetrators were Iranians who came specially for that purpose?

Gaston Defferre: It is a possibility. But if when they arrived in France these perpetrators had not received material support, if they had not been housed and sheltered, if they had not been helped to make their escape, perhaps they would not have been able to carry out their act.

The Algerian Government is fully aware of all this. The Algerian Government's strong resentment against Ben Bella stems from the fact that Ben Bella had turned into an agent of fundamentalism and that he was threatening to destabilize the Association of Algerian Workers in France. I helped that association to establish its office near the railroad station in Marseilles. But if that association, which is firmly controlled by the FLN, falls under the influence of the fundamentalists it will turn against the Algerian Government.

Claude Lanzmann: I was under the impression that the Maghreb people whether from Algeria, Tunisia or Morocco, were less susceptible to the fundamentalist influence of Iran, of Khomeyni.

Gaston Defferre: Well, it is starting again.

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CSO: 3519/340



## STUDENT ELECTIONS SHOW ND UPTURN

Athens POLITIKA THEMATA in Greek No 496, 6-12 Apr 84 p 13

[Text] The impressive increase in-the student ranks New Democracy strength within Nea Dimokratia shown in the elections of Wednesday 4 April, coupled with the party's victories in the earlier elections for officials of the bar and medical associations, has created a new strong impression.

The conclusion reached during our special analysis on the subject which was published in our previous issue, was that the political message derived from the students' voting does not equal in weight and meaning the results of parliamentary or municipal elections.

However, the increases or decreases in party percentages of PASP /Panhellenic Militant Student Faction/ (PASOK) (/Panhellenic Socialist Movement/), PSK/ Pan-Student Trade Unionist Movement (KKE) (/Communist Party of Greece/), DAP /Democratic Renewal Vanguard/ (ND) (/Nea Dimokratia/) and DA /Domestic Struggle/ (KKE Int.) (/Communist Party of Greece, Interior/) are still indicative of the political will of a sensitive and strongly preoccupied segment of the population. At the same time, the (awkward) intervention of the Prime Minister (with his polarizing and psychologically negative call for a vote in support of the "progressive" forces) added a further burden on the already tense situation. In addition, particularly this year, the elections in the above associations (held just 73 days before the Euroelections) took, as can be easily understood, a political character and ensured an added psychological advantage to the victor, this just a short time before the June pre-electional turmoil.

In this particular context, the increase in DAP's strength is acquiring greater importance. This increase is certainly the main characteristic of this year's elections and will be the basic focus subject for discussions and analyses. The comparison of PASP's and DAP's power in April 1981 (when PASOK received among the students three times as many votes as the ND) and April 1984, when the two reached nearly the same number of votes, is impressive. The conclusions are therefore clear, even if the interpretations of these changes differ.

We discussed this subject in the early morning hours of Thursday with the PASP official at the EFEE's /National Student Union of Greece/ K.S. /Central Council/, Yannis Tsamourgelis. He told us the following: "The upturn of DAP

is an objective consequence of the DAP's well-known reserves, drawn from the sector of the non-active students, (those) who do not participate in the processes of student life but appear only in the membership lists of the students' political associations" On the contrary, DAP's position as expressed in its announcement in the early morning hours of Thursday was that: "DAP's victory represents a ringing slap on the government's policy of division and arbitrariness", "a fruit of our struggle against the government's single party policies and its off-shoots", and finally, "a condemnation of the government's policy in the field of higher education which has condemned the AEI /Supreme Educational Institutions/ to compulsory working below capacity and bankruptcy".

The percentage increases of DAP's power assumed the character of a triumph in some cases such as the following:

(1) DAP came out first among first-year students in many faculties (such as Economics, ASOEE /Supreme School of Economic and Political Sciences/, Law, Political Science, etc.); this opens up future perspectives for the overthrow of the current pro-leftist power configuration at the universities.

2) For the first time, DAP came first in Schools where participation in elections had been either minimal or symbolical in the past, such as, for example, the School of Civil Engineering of the EMP /Greek Metsovion Polytechnic School/ and the Polytechnical School of Xanthi.

3) The percentage of votes DAP received in several schools was substantially higher than in 1983. As minimum examples we can present the cases of the topographers of the EMP (the percentage increased from 10.1 to 20 percent), the Chemistry School of Salsnica (110 votes compared with 69 in 1983) and the Educational Academies of KATEE /Higher Technical and Vocational Training Centers/ at Karpenisi, Rodos, Tripoli, Serres, Mytilini, etc.

4) It improved to a significant degree the poor showing DAP made last year in the elections in the Cretan schools, where it has now almost doubled its percentages.

#### The process

From the point of view of the electoral process, the situation was generally smooth. The refined humor (expressed in satirical slogans and in wall newspapers), the peculiar way of dressing and the behavior of the non-parliamentarians of the left, and the strong impressions left by the posters of the various factions (covering every available inch in the halls and corridors) created a special atmosphere of festivity.

Unfortunately, this year too there was no lack of violence and nervousness, which sometimes crossed beyond the acceptable limits. The most serious incident was reported in Florina, where three students of the local Educational Academy and members of DAP were badly beaten and had to be hospitalized. Also, at the Law School in Athens, (independent) anarchists broke the glass panels of the central gate and burned piles of propaganda documents of the



various factions; this caused the immediate intervention of the Fire Brigade. There were also reports of cases where the law was taken into one's hands, resulting from the pressures and the high tensions of the day but consequences were not serious.

Generally, this year's student elections were held in a climate of strong politicization, with an unprecedented mass participation and with DAP's upturn the major characteristic. This fact will possibly lead (according to the estimates of leftist youthful student leaders at dawn on Thursday) to a shuffle in the ranks of the left, the bastion of the "unity and struggle for Change". June is very near, however, and Greek citizens will be called upon to approve or reject the turn to the right that was expressed in the latest trade union elections.

#### FIRST RESULTS

Initial results show that the various factions received the following percentages and number of votes:

UNIVERSITY STUDENTS		OTHER STUDENTS		
34,000 votes counted		13,790 votes counted		
PSK (KKE)	10,148	29.70%	4,542	32.9%
PASP (PASOK)	9,164	26.95%	4,383	31.7%
DAP (ND)	7,645	22.60%	2,892	20.9%
DA (KKE Int.)	4,575	13.50%	945	6.6%

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## BRIEFS

LIBERALS' PARLIAMENTARY LEADER QUITTING--The Liberal Party's parliamentary leader, Hans Hammond Rossbach, has said no to renomination in More and Romsdal, the Liberal Party's weekly newspaper VAR FRAMTID reports. Rossbach made that same decision at the last Storting election, but he changed his mind afterward. The newspaper reports that his decision will be final this time. [Text] [Oslo AFTENPOSTEN in Norwegian 2 May 84 p 5] 9266

CSO: 3639/117

## PNV INFIGHTING CHANGES PARTY'S COMPLEXION IN NAVARRE

Madrid ABC in Spanish 21 May 84 p 9

[Article by Jose Ramon Unzue: "Garaicoechea Loses Control of Navarre PNV"]

[Text] Pamplona--The expulsion of all the members of the Navarre executive board from the Basque Nationalist Party has placed Carlos Garaicoechea in a very difficult position. The "lendakari" has been left without any of his men in the Regional Community, while the loyal followers of the Arzallus line, headed by Carlos Claveria--the only member of the party's provincial assembly who was not sanctioned--will rule the fate of the Navarre PNV.

Claveria has held various meetings with Javier Arzallus over the course of the last few weeks, and according to very reliable sources, the makeup of the new managing board was agreed upon long before the Arteaga meeting was held.

The purge within the Navarre PNV is going to spread throughout its whole structure, and will even extend to the municipal representatives who do not hold any political position. Carlos Claveria himself confirmed this point to ABC, although he did not admit that he would be the one in charge of carrying out the purge. He also chose neither to confirm nor deny that he would soon be named president of the management committee. "I am not aspiring to a position within the party, because my main concern is see that the Navarre PNV receives the share that it deserves."

In any case, the finishing touches were put on the new committee last week, after a dinner when Javier Arzallus, Carlos Claveria, Jose Garcia Falces and Yosu Absolo met in San Sebastian. The latter two will be on the managing board, along with Javier Bedeterbide and Estornes Lasa.

These six men will be responsible for restructuring the Navarre PNV, with complete loyalty to Vitoria. As Claveria said yesterday, "The trend toward rebellion which was going on in the Navarre assembly should have been stopped by the party. I did not achieve my goal, and now the results can be seen."

Carlos Claveria was born in Pamplona on 23 April 1924. He is a historian and writer, who specializes in ethnic themes. During the Franco regime he represented the PNV in Navarre, and he replaced Carlos Garaicoechea on 20 June 1980 when the latter was named president of the Autonomous Basque Community. In the recent elections he also appeared on the nationalist slates, although he did not win a seat.

#### Mixed Group

The sanctions have spread to the highest elected representatives of the party in Navarre, including the representatives in the PNV national assembly and in the Euskadi Buru Batzar [Basque Executive Committee of the PNV]. The failure to carry out the agreements with the Popular Coalition could have been the cause, but not the only reason, for the very harsh measures taken by the National Assembly in Artea. The Arzallus-Garaicoechea quarrel evidently lies behind it.

Regarding the agreements, Claveria stated yesterday that "it was a question that went beyond the territorial limits of Navarre. Therefore, the Euskadi Buru Batzar assembly was entitled to intervene in this province."

"I am very much in favor of the party being a confederation, but within the limits outlined by the National Assembly, which has sovereignty, and those of the Euskadi Buru Batzar, to which the authority granted by that assembly is delegated."

For their part, the Basque nationalists are remaining almost completely silent. Only Inaki Cavases, spokesman for his party in parliament, did not conceal his surprise at the sanctions. "I, personally, was not expecting this," said Cavases. "We will continue with the same line in parliament, in the Mixed Group now, because we have a program which supports us." Neither had the Navarre nationalist bases anticipated these sanctions. This was confirmed to us by Alfonso Larrea, president of the Pamplona municipal board. "But for now," he explained, "we do not wish to make a statement on the subject." It seems that at the beginning of this week the various nationalist boards will get together in Pamplona to study and determine what position to adopt toward the sanction measures. These measures could also spread to other Navarre nationalist members, even if they do not have any political representation in the party.

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## KOBHEN CLASS SUBMARINES CAN SERVE UNTIL YEAR 2000

Oslo AFTENPOSTEN in Norwegian 2 May 84 p 10

[Article by Rolf L. Larsen: "Norwegian Submarines Can Be Used for 20 More Years"]

[Text] The Norwegian submarines of the so-called Kobben class will have a life lasting until the year 2000. That is what studies carried out by Det Norske Veritas for Naval Defense indicate. Those 14 submarines are from 16 to 20 years old, and they will continue to play an important part in our naval defense. The first of the six new submarines of the so-called ULA class, which are to be built in West Germany, is expected to be completed in 1989.

"I can already say that that is going to be an ultra modern submarine with good maritime qualities and advanced electronic apparatus," Commander Second Class Reidar Skarlo, the head of the submarine division of the Norwegian navy, said at Haakonsværn at Bergen during a "submarine seminar" for Norwegian journalists.

"Work on the new submarines of the so-called ULA class is running on time," he said.

For the present, it is definite that six submarines of the ULA type will be built, with an option for two more. These submarines are something more than twice as big as the Kobben submarines in tonnage. Skarlo's attitude is reserved where the imparting of other data is concerned.

But it is clear now that the submarine will be able to carry 14 torpedoes, and it will also have the same crew as the Kobben submarines; 20 men.

Skarlo stated that the Kobben submarines got considerable new materiel in 1978--new sonars, torpedoes and fire-control equipment. Some lengthening of those submarines may also be undertaken during the next few years. "First and foremost, for the purpose of making it more comfortable for the crew," the head of the submarine division said.

He also pointed out that those submarines have demonstrated again that they are very suitable for operations in Norwegian fjords. During the most recent big NATO maneuver in the north, attention was called to those submarines' good operational characteristics by those in command of the maneuver.

The Kobben class submarines weigh approximately 500 tons, are 45 meters long and draw 8 meters of water. The boats make a speed of approximately 12 knots on the surface and 15 or 16 knots under water. The boats have a regular crew of 20. The boats can carry 8 torpedoes and have an official diving depth of approximately 190 meters.

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CSO: 3639/117

## BULGARIANS GRANTED LANDING RIGHTS UNTIL MILITARY EXERCISE

Oslo AFTENPOSTEN in Norwegian 2 May 84 p 10

[Article by Hakon Letvik: "Balkan Air Gets To Land at Evenes"]

[Text] Sun-hungry tourists seeking charter flights south from northern Norway may find that they will be allowed to travel to the Black Sea after all. On Monday, the government reversed its decision to deny Balkan Air permission to land at the Evenes airfield, and as a result 2,000 orders for tickets for such flights can be processed by the Arctic Express travel agency.

"Consideration for the company and the people who had ordered tickets in good faith was weighed against military considerations, and the government decided that it could permit aircraft to make use of the Evenes airfield until 10 September 1984," Undersecretary Anders Madslien of the Ministry of Transport and Communications said.

Preparations for the newly-established "air lift" to the south have been going on for a year, and Petter Oie, the chairman of the board of directors of Arctic Express in Kirkenes, has told AFTENPOSTEN that he appreciates the government's new decision very much.

A rather big military exercise will begin around Evenes in the middle of September, and for that reason aircraft from eastern Europe will not be welcome in that area.

"We have a little time now to look for alternatives. As I see it, Bardufoss appears to be the most appropriate airfield if Evenes cannot be used. I hope the authorities will be able to reconcile the defense of northern Norway with the inhabitants' desire for reasonable and rapid trips to southern latitudes. Up until now, trips to the south have often been twice as expensive for people living in northern Norway by comparison with what the people of Oslo have to pay. There certainly can be no doubt that the need for sun and warmth also exists for us here in the north," Oie says.



Because of the lack of clarity regarding the use of the Evenes airfield, travel agencies have had to cancel four out of a total of 23 flights. The first departure was planned for 12 May 1984, but it had to be cancelled because the time was too short. In addition, three flights were planned for after 10 September.

"That means that the price of a ticket goes up 16 percent, and that again has financial consequences for us," Chairman Oie says.

In all, 2,000 people in Troms and Finnmark have ordered tickets for trips to the Black Sea.

In connection with the fact that charter-flight travel from Evenes is being increased now, the involvement of the customs service also has to be increased.

"It is necessary that a dispensation permitting that travel be obtained from the Ministry of Justice and Police, and customs personnel must be provided for every departure and arrival. Those are practical problems that will be solved. I hope that the travel agencies will be able to work out other, acceptable alternatives before September. After 10 September, Evenes must be considered closed to Balkan Air airplanes and to aircraft from the East as a whole," Undersecretary Anders Madslien says.

The people in the north will soon be getting even more opportunities to travel south. On Thursday, 3 May 1984, the government will deal with an application from Vingreiser on behalf of Balkan Air. What the Bulgarian airline is seeking is permission for it to land its aircraft at other Norwegian airfields.

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CSO: 3639/117

## MADRID TO PARTICIPATE IN 'NADGE' AIR DEFENSE SYSTEM

Madrid ABC in Spanish 11 May 84 p 23

[Text] Madrid--The Ministry of Defense is preparing to carry out necessary arrangements for improving Spanish air defenses by "close interconnection of the Spanish air defense system with NATO's 'Nadge' system," according to a document drawn up by the government.

The interconnection will be made through the Italian defense system and the "Nimrod" aircraft of Great Britain. Also under study are interconnection and interoperational capacity with United States defense forces in Europe, including its naval contingents.

At present Spain's air defense system (SADA) is connected with the French system (STRIDA) through "interface" computers and with the telephonic connection system (Sic-Cap), which will allow the use of information from an early alert concerning those aircraft which have been detected by both neighboring systems, and which, predictably, could penetrate into our air-space coming from almost any direction. The French system, on the other hand, also covers part of the Mediterranean, with the result that it is very useful for Spain.

The Ministry of Defense believes that the most important factor for Spanish air defense as regards the availability of information on an "early alert" does not lie in having all the information about a very distant alert, because this would be useless and harmful. The Ministry of Defense believes it is more useful to have information available about those aircraft which because of their position and direction could predictably be able to penetrate into Spanish air space.

Furthermore, the government realizes that if Spain should leave NATO, the possibility of maintaining the economic, industrial and technological cooperation which is defined within the strict framework of the Atlantic Alliance would disappear. In response to deputy Gabriel Elorriaga, it adds that this does not mean that these possibilities could not be reconstructed outside the framework of the Alliance, within a bilateral or multilateral system with the same member countries of NATO.

One of the objectives of NATO is cooperation among the members for the strengthening and improvement of their respective national defense systems.

## GOVERNMENT PLANS COMMISSION TO STUDY ANTISUB DEFENSES

Stockholm DAGENS NYHETER in Swedish 16 May 84 p 6

[Article by Sven Svensson: "How Will We Protect Ourselves Against Submarines? New Submarine Commission Drawing Up Guidelines"]

[Text] The government has plans to set up a new Submarine Commission which will work out guidelines for antisubmarine protection in the future.

The ongoing discussion about the grounding at Karlskrona and the events at Harsfjarden has strengthened the need for such a commission, which will bring greater clarity to what actually happened.

It is intended that the new commission will be put together by the parliament. It will soon be working beside the newly appointed Defense Committee, the work of which will take several years.

The main task of the new Submarine Commission will be to try to create broad parliamentary unity about how antisubmarine defenses should be organized in the future to be as effective as possible.

Such a reinforcement of antisubmarine defense must be based on an analysis of the character and aims of previous submarine violations. That means that a new Submarine Commission must make a historic study of the violations and seek an understanding of what really happened.

The main task for a new Submarine Commission will be to establish the pace of strengthening the antisubmarine defenses.

The Defense Department is working out instructions for the Supreme Commander on how a new submarine plan will appear. A new program plan will be established for the defense for the 5-year period 1985/86 to 1989/90. The point of departure will be unchanged appropriations compared with today.

A first antisubmarine force will be organized for 1987. It will consist of antisubmarine aircraft, helicopters, coastal corvettes, patrol boats, mine-

sweeping craft, frogman boats and submarines. Then the force will be coordinated with a fixed surveillance system, mine barrage troops, mobile barrage units, coastal defense units and certain ground forces.

With the present level of appropriations a second antisubmarine force can be established in 1992 at the earliest. Two antisubmarine forces are considered to be a precondition for antisubmarine warfare to be properly effective.

A new Submarine Commission will therefore establish whether the navy's level of appropriations should be increased during the coming 5-year period so that a second antisubmarine force can be established considerably earlier than 1992. Based on prior decisions the navy has already been granted a fiscal augmentation of over one billion for antisubmarine defense.

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## DAILY DISCUSSES ISSUES PRESENTED IN NEW BOOK ON SUBS

Stockholm DAGENS NYHETER in Swedish 15 May 84 p 2

[Editorial by Olof Santesson: "To Counter the Submarine Argument"]

[Text] The fact that Swedish territory is being systematically violated has become the starting point for a continuing security policy debate.

One superpower, the Soviet Union, has on two occasions directly pointed out and sharply criticized Sweden, first following U-137's actual grounding in Swedish internal waters in October 1981, and again starting with the evidence of events in Harsfjarden one year later. It would have been peculiar if NATO, without reaction, had permitted the leading power of the Warsaw Pact to utilize the Swedish Archipelago for years for its military purposes. Countermeasures in the form of violations by NATO would naturally have been equally unacceptable to us.

The suspicion that western submarines have violated Swedish waters has previously been put forth by journalist Anders Hasselbohm. In his forthcoming book "Ubatshotet, En kritisk granskning of Harsfjardenincidenten och ubatsskyddskommissionens rapport" [The Submarine Threat, A Critical Analysis of the Harsfjarden Incident and the Submarine Commission's Report] he returns to that issue. At least one NATO submarine was involved in the events in Harsfjarden, writes Hasselbohm. His other sensational information is that Norwegian submarine experts helped the Swedes in Harsfjarden. It is implied that thereafter Sweden perhaps allowed a discovered NATO submarine to escape. A senior Swedish military officer, name not given, is said to have told Hasselbohm that the military leadership is hiding vital facts!

In any case the writer obviously believes that the Swedish military systematically underestimates or neglects NATO's growing role in the Baltic. The book's assertion that, for example, the West German submarine force would want to have the capability of protecting its ships in the Swedish Archipelago in case of war surely comes as no surprise to thoughtful Swedish naval officers.

As to possible NATO involvement in Harsfjarden, however, Hasselbohm relies on anonymous sources. Surely more reliable material is required in order

possibly to win over the skepticism of the readers. But regular "interviews" with voluntary and open witnesses would be too much to hope for.

Then how well founded is Hasselbohm's critical analysis of what remains in the Submarine Commission's report? It is not only the conclusion that the violation at Harsfjarden was carried out by Warsaw Pact forces that was declared wrong. The remainder was described as a "jumble of loose assumptions, gross mistakes and defective logic, which make it useless as proof." Harsh words, which partly risk being thrown back at the writer's own work! Obviously Hasselbohm has succeeded in finding peculiarities and errors in the Swedish report; common journalistic precaution should previously have sounded the warning.

For example, in a newspaper interview the chairman of the Submarine Commission, Sven Andersson, said that only Whisky-class submarines have keels, an obviously incorrect statement.

One of the commission's experts concluded that the penetrating submarine's overheard double propellers were proof of Soviet guilt, although some NATO submarines also have two propellers. The chief of the analysis group stated his belief that before Harsfjarden nobody knew about operative military units using minisubmarines. According to available professional literature several western countries use minisubmarines.

The statements appear both careless and uninformed. If the evidence against the Soviets in Harsfjarden is to be of this quality, there is reason to be deeply concerned for the Swedish position. Questioned further today, both Sven Andersson and chief of the Defense Staff Bror Stefenson gave much more precise statements about why the propeller noise and the bottom tracks were ascribed to the Soviet Union. Hasselbohm's book would have been much better if he himself had questioned--and pressed--them. That this did not happen takes away a lot of the book's credibility. But why, for example, did Sven Andersson not care to find out about how he was previously quoted?

In the case of Karlskrona the possibility of faulty Soviet navigation should have been a central question for the analysis group; in Harsfjarden it was equally obvious that the most important question was the intruder's origin. Reasonably someone should have played the role of "the devil's advocate" in order to as energetically as possible remove the risk of a gigantic false conclusion. Later there has unfortunately been reason to wonder if that has happened. Who, for example, took upon himself the task of the knowledgeable and stubborn skeptic among the five politicians on the Submarine Commission?

We obviously have the right to demand that the indictments against the Soviet Union proceed in the most careful Swedish trial imaginable. That said, it is important that more systematic criticism in Sweden of the Swedish prosecution's material be really confronted, not just dismissed. Obviously more can be said than what was reported by the Submarine Commission. The entire affair needs to be studied again--by new forces.

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CSO: 3650/200



## EXCERPTS FROM REPORT ON KARLSKRONA SUBMARINE INCIDENTS

Stockholm SVENSKA DAGBLADET in Swedish 5 May 84 p 6

[Article: "Swedish Territory Has Been Violated Again"]

[Text] "Swedish territory has been violated again. Foreign submarine activity occurred in Swedish areas and territorial waters during a period of 2-3 weeks in February and March 1984." This is how Supreme Commander Lennart Ljung began the report on the Karlskrona incident which was delivered to the government on Friday. SVENSKA DAGBLADET is publishing excerpts from the report here:

Because of discoveries which have been made recently it has been necessary to widen the concept of the nature of the violations. "Foreign submarine activity" has been used here as the comprehensive title of the following events:

- submarines of many thousand tons down to 500 tons,
- minisubmarines from several hundred tons down to tens of tons,
- divers' boats,
- divers with miscellaneous equipment.

During the Karlskrona incident there were indications that all of these types occurred.

It has become all the more obvious that divers are participating in the foreign activity. Both modern personal equipment and modern underwater methods of transport enter into this picture. This indicates that divers are becoming less limited by difficult environmental conditions, and much more mobile. In the future they are going to be very difficult targets to detect and catch, especially when they appear in a society which can hardly close off its coasts and archipelago areas.

For operational reasons a detailed account of foreign submarine activity can not be published. The material would be highly technical. One need not assemble very much of the latest technical experiences, such as:

- hull material,
- air-independent machinery,
- sensors and teletechnology and
- human technology in small closed spaces

to derive a picture of highly sophisticated equipment.

From this the conclusion can also be drawn that it may well be possible to avoid today's Swedish methods of antisubmarine warfare in different ways, especially in our own archipelago.

#### Indications and Conclusions

The reports of foreign submarine activity in the Karlskrona area are based on optical observations, measurements on technical equipments (radar, sonar and magnetic detection devices) and bottom investigations. All of these phenomena will henceforth be called "indications."

About 600 indications were observed. The greatest number were made by optical means.

Of the total number of indications about half could be explained by other causes than foreign submarine activity, for example civilian ocean traffic, our own military activity, etc. In the remaining 300 indications there are about 70 cases in which after thorough testing no other explanation can be found than that they are due to foreign submarine activity. These approximately 70 indications have been the subjects of especially deep analyses.

In no case could photographs be taken of foreign submarines or divers. On the other hand a number of drawings have been obtained.

Bottom investigations have so far not produced results which can be tied with certainty to foreign submarine activity.

Material discoveries have not been made of a type which can be used as proof.

Conclusions are thus essentially based on evaluation of reported visual observations and on several cases of reported acoustical (hydrophone) effects and indications on magnetic detection devices.

The indications largely consist of observations made by people of movements under the surface and masts, etc., in or over the surface, divers moving on land and indications on various technical systems. In several cases people could have been influenced by expectations, or led by our own activity to believe that they had seen events which in reality did not take place. Disturbances could have taken place which affected technical apparatus.

Several observations and indications, however, show that foreign submarine activity did take place.

The number of reports is overwhelmingly large. A limited number which were sifted out after a preliminary review could be analyzed and checked out in detail. Systematic efforts were made to find other explanations besides foreign submarine activity. Legal and psychological experts were used in the analysis in some cases.

The technical indications were tested and in many cases retested by experts.

After that comprehensive review process there remained a number of indications which clearly pointed to foreign submarine activity. It cannot be excluded that other such indications can be found among the reports which were previously put aside.

The commander of the Military District South stated in his preliminary report, among other things, that "submarine activity has taken place in Karlskrona."

The report of the Kierkegaard Group includes the analysis of a number of indications. After the analysis the group said it had proved that minisubmarines and other underwater activity had taken place within the archipelago on seven occasions during the period mid-February to the beginning of March, and that foreign submarines had entered Swedish territorial waters outside the archipelago on three occasions during the same time.

The group could not establish the nationality of the foreign submarine activity.

Against this background the Supreme Commander is of the opinion that foreign submarine activity took place in the Karlskrona area during the period in question. The activity included large submarines, at least outside the archipelago, as well as smaller craft and divers within the archipelago. Their nationality could not be established.

#### The Reliable Observations of the Supreme Commander's Report

##### Minisubmarines or Divers' Boats

In the inner archipelago two different observers reported objects resembling submarines at different times. The agreement on what they both saw, the short time between their observations and the reported locations, led the committee to decide that it was probably either a minisubmarine or a diver's boat.

##### Divers

Late in the evening of 29 February two conscripts on duty saw what they believed to be a diver who came up out of the water and crossed Almo and went down into the water on the other side. The committee, both military members and Goran Steen's, decided that it was a diver.

## Large Submarines Outside the Archipelago

On two occasions a Swedish submarine using its hydrophones could listen to two foreign submarines. On one occasion it was in the Swedish inner leads, and on the other in Swedish territorial waters. On another occasion the conning tower of a large conventional submarine was sighted in territorial waters off Karlskrona. The committee decided that it was a submarine on all three occasions.

## Minisubmarines

In the western bay of the restricted area, under good visibility conditions and for a relatively long time, masts and a probable periscope were observed. The reports came from two different observers. The descriptions that they gave of what they saw agree with drawings made of minisubmarines during previous antisubmarine searches.

9287

CSO: 3650/200

## BOOK CRITICIZES SUBMARINE COMMISSION, CLAIMS NATO INTRUSION

Stockholm DAGENS NYHETER in Swedish 15 May 84 p 7

[Article by Harald Hamrin: "New Book Criticizes Submarine Commission: NATO Submarine Was in Harsfjarden"]

[Text] The report by the Submarine Commission about events in and around Harsfjarden in the fall of 1982 is based on weak, unreliable and directly false evidence. That is the opinion of journalist Anders Hasselbohm in a book being published today. In fact, Hasselbohm claims that there was at least one NATO submarine involved in the events in Harsfjarden.

In his book "Ubatshotet, En kritisk granskning av Harsfjardenincidenten och ubatsskyddskommissionens rapport" [The Submarine Threat, A Critical Analysis of the Harsfjarden Incident and the Submarine Commission's Report] Hasselbohm blames the Swedish military leadership for consciously or through lack of knowledge misleading the members of the commission.

In the book the commission is accused of having uncritically accepted the statements of the experts. Hasselbohm considers that in some cases the members themselves passed on false information to the mass media.

## NATO Submarine

These are some of the most sensational claims and facts in the Hasselbohm book:

- At least one NATO submarine was involved in the Harsfjarden incident. The submarine was probably damaged in connection with the explosion of a Swedish mine on 11 October 1982.

- Norwegian experts with special equipment were utilized to listen for motor and propeller sounds from the hunted submarines.

- The strongest evidence that the submarines were Soviet--the presence of a keel with a characteristic profile--is worthless. Several NATO submarines have similar keels.

- Another bit of evidence--the fact that the hunted submarine had two propellers--is also worthless. Submarines with two propellers exist in both East and West.

- About one week after the events of 11 October two submarines slipped out of the Oresund submerged. The submarines came from a NATO country.

#### Propellers

- The appearance of minisubmarines and unmanned craft should not have taken military experts by surprise. Such minisubmarines are described in available specialized literature, and openly in sales brochures.

Hasselbohm's information about Norway's role in the antisubmarine search in the Stockholm Archipelago, and about the passage of two NATO submarines through the Oresund, is based on conversations with unnamed technical experts and senior Swedish and foreign military persons.

The assertion that only Soviet-built submarines are equipped with two propellers is not expressed in the Submarine Commission's report. But statements in the Swedish press by various anonymous persons, and in several cases even by named sources, have created the impression that it was just the presence of two propellers which tied the Soviets to the Harsfjarden incident.

Hasselbohm shows, however, in his book that some NATO countries--Great Britain, France, Holland and Denmark--have submarines with two propellers.

#### Some Have Keels

In the same way, according to Hasselbohm, the circumstance of a marked distinguishing keel was supposed to show that the submarines at Harsfjarden were Soviet.

Here again the commission does not expressly come out with this proof in its report. But in September 1983 the chief of the Defense Staff, Admiral Bror Stefenson, explained in STOCKHOLMS TIDNINGEN that the keel imprint found off Harsfjarden was "within centimeters" of the measurement made in connection with U-137's grounding in Karlskrona Archipelago in the fall of 1981. And in an interview with DAGENS NYHETER the day after, the chairman of the Submarine Commission, Sven Andersson, said about Harsfjarden:

"The most important thing for us was that the submarine had a keel, only the Whisky-class submarines have keels."



## Not Only Soviet

As it is with the propellers, Hasselbohm can with the aid of drawings and photographs show that other countries' submarines have pronounced keels.

Hasselbohm is careful to point out that the existence of two propellers and a pronounced keel on submarines from these countries does not mean that he is pointing to any of them as guilty of the Harsfjarden incident. On the other hand he believes that the basis for the Submarine Commission's proof has been torn apart.

The total of all the information in the new book is not that the submarines which were hunted in Harsfjarden all came from the NATO side, even less that they came from a definite, designated NATO country. But Hasselbohm decidedly rejects the conclusion of the Submarine Commission that they came exclusively from the Soviet Union.

### 'A Certain Source of Error in the Method'

Soviet Whisky-class submarines have a very definite reinforcement under the keel. Swedish experts could measure this on U-137 off Karlskrona in the fall of 1981, and it was the imprint of the same reinforcement which was also later found during the investigation of the bottom off Harsfjarden one year later.

This is what Admiral Bror Stefenson, chief of the Defense Staff, told DAGENS NYHETER in response to the information in Hasselbohm's book.

Admiral Stefenson does not claim that all NATO submarines are entirely without such a keel. It is, he said, a "question of modern design." Certain modern American and British submarines entirely lack a keel, and other older submarines have them.

"But on Soviet and Polish submarines there is a very typical reinforcement on the bottom," he said. "It is a reinforcement which does not exist on submarines in our vicinity."

In the case of U-137 the exact measurements of the keel could be taken. With the submarine off Harsfjarden the measurements on the boat could not be taken, only the impression on the bottom.

"There is therefore a certain error in the method of measurement, but the similarity is still very great," said Admiral Stefenson.

### 'The Sound Is Decisive For Us'

The chairman of the Submarine Commission, Sven Andersson, said in a conversation with DAGENS NYHETER that it was not the existence of two propel-

lers or of a keel which was decisive for the determination of the nationality of the submarine hunted by the Swedish military off Harsfjarden.

"It was the sound which was mainly decisive for us," said Sven Andersson. "Whisky-class submarines have a very characteristic sound which relates to the different characteristics of the boat, among other things it has two propellers. But there are also other countries which have submarines with two propellers."

A military source also told DAGENS NYHETER that the existence of two propellers was not in itself decisive.

"The presence of two propellers is one thing," said that source. "But we made a so-called frequency analysis of the sound from the submarine, and there were also other measurements by which we could decide whose submarine it was."

That, combined with the fact that the Swedish Intelligence Service knew where in the Baltic other countries' submarines with two propellers were operating at that time made it possible to determine that the submarine in question was a Whisky-class, according to what DAGENS NYHETER has learned.

9287

CSO: 3650/200

## GOVERNMENT DEPENDING ON CONTINUED AUSTERITY TO CREATE JOBS

## Assumes Small Wages Growth

Copenhagen BERLINGSKE TIDENDE in Danish 16 May 84 p 10

[Article by Frank Dahlgaard: "The Government Is Still a Good Way from its Goal"]

[Text] The new budget review makes it clear that public expenditures have grown more than expected, that the government deficit will really not fall in 1985, that tax pressure will rise, that the balance of payments has worsened, and that the Danish wage inflation has not come down noticeably under the pace of foreign wage increases.

The new budget review from the Finance Ministry is very gloomy reading. In brief, the Budget Department's economists say that we can get the budget under control, slow down the imbalance of payments abroad, and begin a slow reduction of unemployment, providing the following conditions are fulfilled:

- The rate of wage increases must be brought all the way down to about two percent starting as early as next year.
- Bond interest must fall from the present 14-15 percent all the way down to 8-9 percent in the course of the next three years.
- There must be complete zero growth in public expenditures from now on.
- Economic growth abroad must go up to three and a half percent per year, and the growth must stay at this high level.
- The rate of exchange for the dollar must fall from the present almost 10 kroner down to 8.80 kroner per dollar.

Under these superoptimistic assumptions on our own economic policy -- and on economic developments in the surrounding world -- we can get the deficit in the balance of payments down to zero in 1988, so that Denmark's debt abroad will not grow anymore from this time.

At the same time, unemployment will fall from the present 280.000 down to 235,000 in 1988, and wage earners will be able to notice a very slight increase in real wages after taxes.

Finally, it will become possible to stop the growth in the government's enormous interest payments. Interest payments, which in 1983 were 38 billion kroner and this year will be 48 billion kroner, will stabilize in 1985 and after at about 53 billion kroner -- a year.

All this on the basis that the above conditions are fulfilled.

Translated into pure Danish, the message of the budget review is that a quite fantastically tight economic policy must be carried out and held to in the coming years if we are to keep control of our economy.

The present economic policy -- which many call tight and tough -- is not at all sufficient to deal with the problems.

The risk of slipping back into a catastrophic situation such as we experienced in the summer of 1982 (when Anker Jorgensen gave up) is very great.

That's the way it is.

The budget review makes it clear why the director of the national bank, Erik Hoffmeyer, demanded a tightening of economic policy shortly after the January election. The budget review completely confirms the fact that the government has not been able to achieve its own goals in economic policy.

First of all, the government announced just one year ago that the total public expenditures from 1983 to 1984 would be brought down by three percent in steady buying power. After this, the expenditures would be held at the lower level.

This goal has not been achieved. In spite of the many efforts at saving, public expenditures have actually grown by 1/2 percent from 1983 to 1984 (cf. graph).

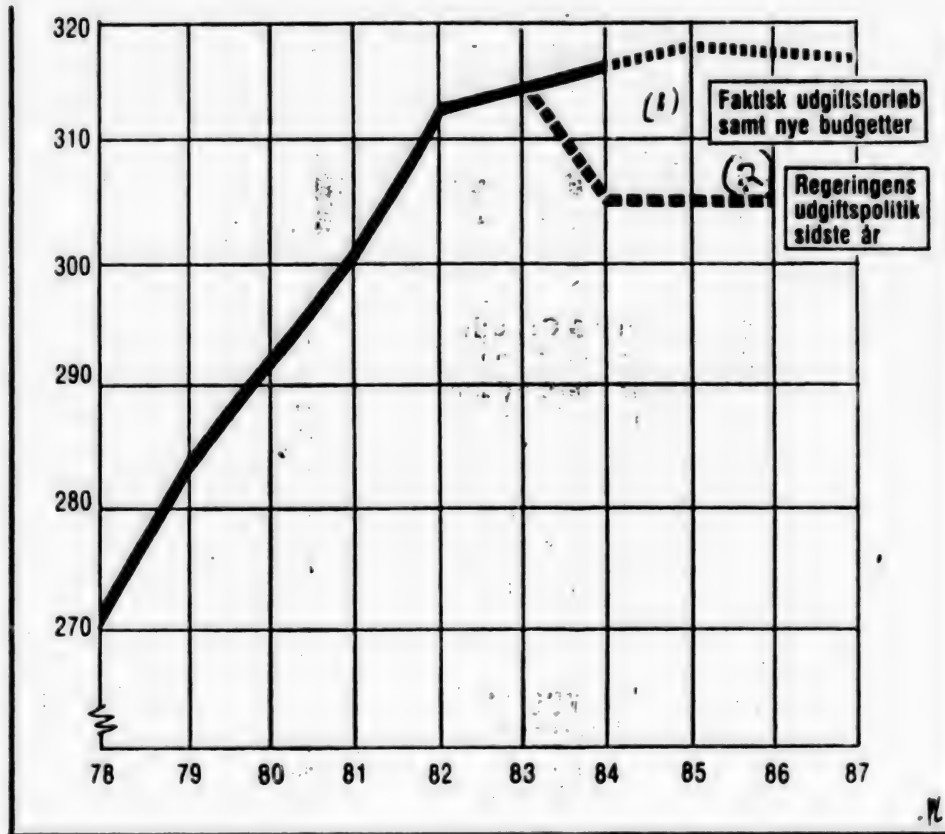
This means that public expenditures are now about 10 billion kroner more than the government's spending policy last year.

Therefore the four-leaf-clover government has not yet been able to stop the growth in public expenditures. Not even if we ignore interest payments (as the figure does).

The only success has been in stopping the growth in expenditures.

If the Danish economy is to be brought definitely under control, a complete stop is necessary for public expenditures from now on (cf. the conditions above).

Trend in Total Public Expenditures Since 1978



The curve shows the trend in public gross expenditures (minus interest payments) under the assumption of an unchanged unemployment. Source: Budget Review 1984. Illustration: Peer Lauritzen

Key:

1. Actual course of expenditures and new budgets
2. Government's expenditure policy last year

## The Two Deficits

In the second place, there is no sign that the government's deficit will fall next year -- as the government planned. This year a government deficit of 50 billion kroner is expected. When the government is planning for a deficit in 1985 of "only 45 billion kroner," this is merely because one has decided to advance the payments of taxes due (Budget Review, page 32). This is therefore just a bookkeeping entry that has very little to do with a real improvement in the budget.

In the third place, the government's goal of achieving a favorable balance of payments abroad has now been put off for one to two years. This is written right into the budget review (page 35).

The explanation lies in the present worsening of the balance of payments and the interest burden on foreign debt connected with it -- and this interest burden is growing despite the assumption of the government economists of a fall in international interest rates by a few percentage points in the coming years.

In the fourth place, the tax burden will rise in the coming years (Budget Review, page 46), and this too is in conflict with the government's goals.

The rising tax burden comes primarily from a growth in real interest tax on pension saving, corporate taxes, and production taxes on North Sea oil and gas. The tax burden directly on persons and families can be held at the present level, the budget review says, but this presupposes a total zero growth in public expenses from now on -- something the four-leaf-clover government has not been able to achieve so far.

In the fifth place, wage increases in Denmark have not been brought noticeably below the rate of wage increases abroad, even though this has been the government's policy the whole time.

The most recent information from Denmark's statistics shows an increase in the hourly wages of industrial workers of 4.6 percent from January 1983 to January 1984, while salaried employees have been increased all the way to 8.2 percent.

This means that the four percent limit has not been held to.

The budget review is calculating a wage increase rate among our foreign competitors of on the average six percent a year -- and only five percent next year.

The policy of the government and of the Radicals is now that we must go "a couple of percentage points" under this wage increase abroad. That is, down to two to three percent wage increases. And this is to be carried out at a time when an economic upswing is going strong with the accompanying scarcity of labor in some areas.



With the budget review in hand, it can be stated that the government still has not been able to fulfill its main goals on expenditure growth, tax pressure, payment balance, and rate of wage increases.

National Bank Director Erik Hoffmeyer's demand last year for a tightening of the economic policy has proven to be completely justified.

And now we know that we have to do much more if the welfare state is to avoid death from interest payments.

There is no acceptable way except for the tightening of the economic policy as it is presented in the budget review.

And now that has been said, too.

#### Unemployment Reaches Record High

Copenhagen BERLINGSKE TIDENDE in Danish 16 May 84 Sect III p 24

[Article by Ole Schmidt Pedersen]

[Text] Unemployment has set a record for Denmark. Corrected for season and weather, 284,000 were without work in March. The positive development since April 1983 has turned around. Men and young people experienced a drop in unemployment, but there are now 12 percent more women without work than a year ago. The situation is worst in the Copenhagen and Frederiksberg communities, where unemployment has risen by 11 percent in one year.

Seasonally corrected unemployment is rising steadily. The latest figures from Denmark's statistics show 284,000 unemployed in March.

This is the highest seasonally corrected unemployment figure in Denmark's history.

The weekly figures for unemployment are falling at present. This always happens at this time of the year, and the drop is weaker than normal. When the figures are corrected for the season and the weather, the rise is revealed.

Measured in percentage, unemployment in March was 10.8 percent of the whole work force. In March of last year unemployment was 10.5 percent, and in February of this year, 10.7 percent.

After the positive development in unemployment for most of 1983, the movement is suddenly going in the opposite direction.

The seasonally corrected unemployment reached its preliminary high point in April 1983 with 283,300 without work. In the following months, unemployment

dropped, and it got all the way down to 275,000 in December. But after the New Year things went in the opposite direction, and the latest figures from Denmark's statistics even beat the unfortunate record high of April 1983.

Even the average figure for the unemployed without corrections has risen in relation to March of last year. The rise is 8,000.

#### Hope for the Young

There are bright spots in the statistics. Especially for the young people, who are experiencing falling unemployment. In March 1983, 82,500 young people were without work, but in the same month this year there were "only" 79,000 unemployed. This is a drop of three percent.

The same thing applies generally to men. Their unemployment has dropped by five percent in relation to the same time in 1983. On the other hand, unemployment among women has risen by 12 percent.

The development becomes clearer when one looks at the figures for the individual worker groups. The male metal workers, special workers, and building trades are all experiencing less unemployment. On the other hand, unskilled workers' unemployment rose 10 percent and that of academicians 14 percent.

Four counties show a drop in unemployment in relation to March 1983. Things are best in Bornholm, where the number of unemployed has dropped 11 percent, but unemployment has also fallen in Ringkøbing, Vejle, and Viborg.

Things are worst in the communities of Copenhagen and Frederiksberg, where unemployment has risen by 11 percent.

#### Long-Term Unemployment Viewed

Copenhagen BERLINGSKE TIDENDE in Danish 19 May 84 Sect III p 1

[Article by Frank Dahlgaard: "There are 60,000 Actual Unemployed"]

[Text] There are 756,000 wage earners affected by unemployment, and recalculated to full time unemployed this corresponds to 283,000 full time unemployed. But if one speaks of the same people, 33,000 women and 28,000 men have been unemployed for a year or more.

Every third wage earner -- 756,000 persons -- were hit by unemployment last year. Of these, 60,600 were unemployed the whole year.

This comes from Denmark's statistics final and detailed report on the extent of unemployment in 1983.

Recalculated to full time unemployed, the 756,000 hit by unemployment in 1983 make up an unemployment figure of 283,000. But in the real world it was only

the 60,600 who were really full time unemployed all last year. Of these long time unemployed, 33,000 were women and 27,600 men.

Among the 60,600 who went without work throughout 1983, 9,100 had also been unemployed the whole year before.

Of the 756,000 hit by unemployment last year, 235,800 were unemployed for at least half of the year.

The calculated number of "full time unemployed" of 283,000 is a rise of 20,200 in relation to 1982. In percentage of the total work force, unemployment was 10.0 percent in 1982 and 10.8 percent in 1983.

Unemployment among men was 9.7 percent in 1983 (1982: 9.6 percent), while unemployment among women went up to 12.1 percent last year (1982: 10.6 percent).

The rise in unemployment from 1982 to 1983 has been overwhelmingly concentrated in women, and particularly among women in the age group of 25-54 years. Geographically, unemployment rose relatively more in the capital city area and in Storstrom and Bornholm counties.

While unemployment rose markedly among unskilled workers, among academicians and metal workers from 1982 to 1983, it fell a little bit (one percent) among special workers.

Construction workers experienced a drop in unemployment of eight percent from 1982 to 1983.

9124

CSO: 3613/160

## INCREASE IN CAPITAL INVESTMENT AIDING EMPLOYMENT FIGURES

Copenhagen BERLINGSKE TIDENDE in Danish 1 May 84 Sect III pp 8,9

[Article by Frank Dahlgaard: "Best 1 May for Several Years for Danish Workers"]

[Text] For the first time in this decade the number of jobs in industry is growing rapidly, while the drop in real wages has stopped. Danish workers ought to praise the coalition government and the Radical Liberals for having turned around the negative development.

On this 1 May, workers' day of celebration, it may be asserted with satisfaction that the Danish economy is on the right track.

For the first time in many years employment is increasing--and it should be noted--with real jobs in the private economy. The artificial employment in the public sector has been brought to an end.

The latest employment statistics based on ATP [General Supplementary Pension] collections show that during the first year of the coalition government (fourth quarter 1982 to fourth quarter 1983) 20,500 additional wage earners obtained jobs. At the same time, unemployment has stopped increasing since the spring of 1983, and a beginning drop in seasonally corrected unemployment seems to be under way.

Investments in business and industry are increasing due to the drop in interest rates, improved profitability and better opportunities for sales in the export market.

Thus the constraint of the trade unions in wage demands during the contract negotiations in the spring of 1983 has already produced concrete positive results.

## No Heavy Burdens

In addition, after some years of drastic reduction of purchasing power, the drop in the workers' real wages after taxes has been sharply reduced. Dropping the automatic cost of living allowances has not reduced living standards.

The figures for 1 May of this year will therefore make it difficult to complain of the "heavy burdens" imposed by the government on wage earners. At least not if one sticks to facts.

Real wages after taxes have almost stopped falling, employment is clearly increasing, and unemployment is no longer rising.

National Bank Director Erik Hoffmeyer was already before Christmas (at the annual meeting of the Bankers Association) able to refute the trade union talk of "heavy burdens," Hoffmeyer said, among other things.

"I think, therefore, that one can refute such statements asserting that heavy burdens have been imposed upon the people. We have simply behaved more sensibly, with the result that inflation and the balance of payments have been improved and employment and real wages stabilized. It cannot reasonably be described as a burden to behave reasonably."

#### Thoughts in Flight

In reality, the 1 May demonstrators should today have praised the coalition government and the Radical Liberals who have been the main driving force in the positive turn in the Danish economy and conditions for Danish wage earners. Is this perhaps too much to ask for?

The more thoughtful Danish worker can instead think of France, where the policies of the Socialist-Communist government have created great dissatisfaction and unrest in the labor market and where unemployment continues to rise.

Or one can think of Sweden, where Palme's Social Democratic government with its devaluation policy has imposed real wage reductions and which lately has interfered in labor's free negotiations.

Or think of communist Poland, where free trade unions are banned and where party members are forced to participate in state-directed 1 May demonstrations.

#### Earlier Times

Or one can of course be satisfied to think back to the Anker Jorgensen government here at home a couple of years ago. At that time unemployment and the state deficit rose sharply, while real wages and employment dropped. At that time there were significantly more days of work lost because of labor conflicts than is now the case. And interest rates were then over 20 percent, while investment and the construction industry came almost to a complete stop.

At that time the 1 May slogan of the Social Democrats was, among other things, the struggle for human rights in South Africa...

When it was in government position the party was unable to handle domestic economic problems and therefore threw itself into problems in other countries. Understandably, it would rather talk about something else at that time.

## Slogan of the Day

Today the Social Democrats celebrate May Day under the slogan: "Thirty-five Hours--More Men at Work."

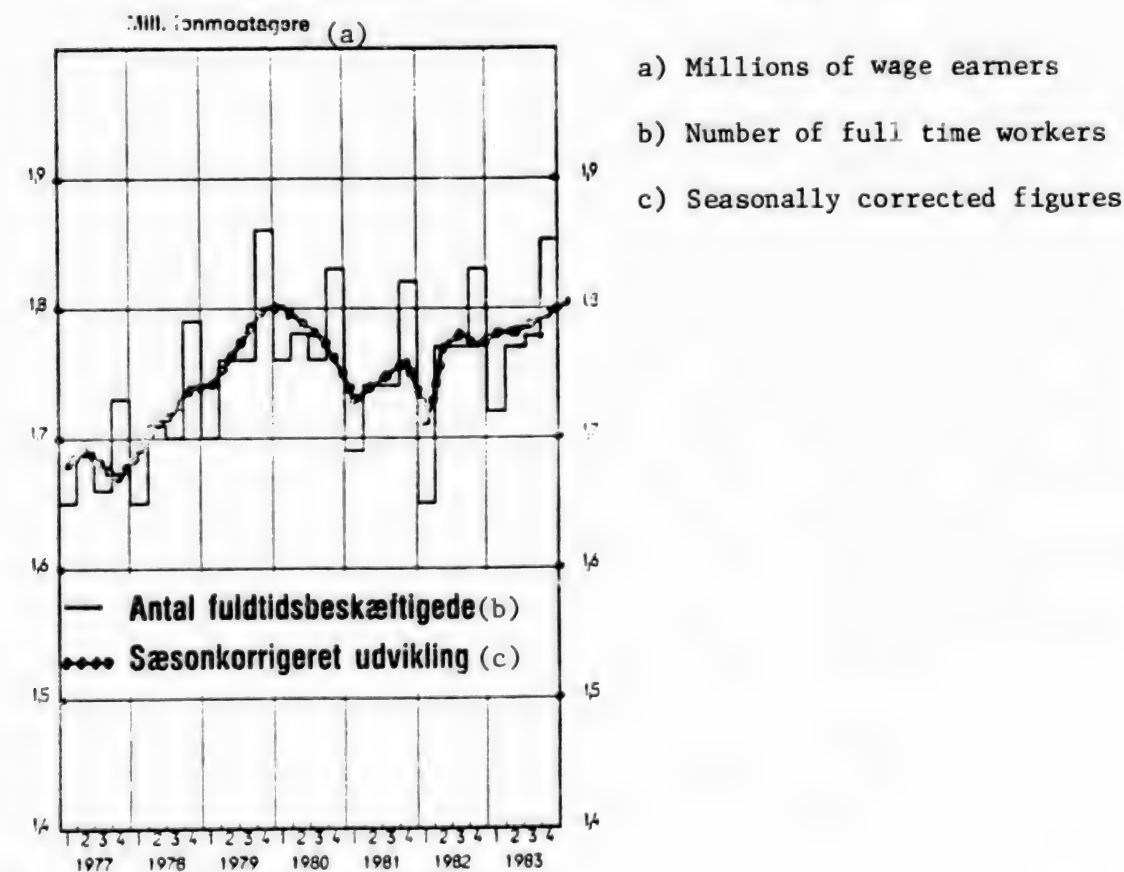
As has been pointed out, the latter part of the wish has already come into being, and it may be added that officials of the ministry of finance expect a further increase in the number of jobs in private enterprise of about 25,000 this year.

On the other hand the demand for a 35-hour week instead of the present 40 hours has not been met. Nor should one wish that it be met quickly, for it would hit the weakest groups in society hard.

## Thirty-five Hour Week

A drop in the work week from 40 to 35 hours with hourly wages unchanged would mean a drop in weekly or monthly wages of 12 and 1/2 percent. Such a drop in wages could not be introduced without a similar drop in pensions, severance pay, cash assistance and unemployment compensation. This would affect society's weakest citizens.

Development in 1977-1985 according to ATP



Source: Danish Statistics



If instead the shorter work week is introduced with full wage compensation it would correspond to an hourly wage increase of 14.3 percent. This increase would not in the main be compensated for by increased production. This would mean a great increase in wage cost per produced commodity unit. Our ability to compete would be decisively weakened and unemployment would increase.

Quick and drastic reduction of working hours would thus create great problems for the country's economy and for the wage earners. West German employers express is as follows: "A thirty-five hour work week creates numerous new jobs--abroad."

What we should hope for here at home is therefore that the Germans are stupid enough to introduce the 35-hour week--preferably with full wage compensation. It would create tens of thousands of new jobs in Danish export enterprises which could out-compete enterprises south of the border.

May Day demonstrations in Denmark would take place in an optimistic business climate the like of which we have not seen for many years.

There is no basis for negative protest demonstrations. On the contrary there is finally a basis for demonstrations of joy because of the positive turn economic developments have taken for Denmark and Danish wage earners.

11,256  
CSO: 3613/154

## STUDY SHOWS CONSUMERS SLOWING BORROWING, INCREASING SAVINGS

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 84 p 1

[Article by Frank Dahlgaard: "We No Longer Live Beyond Our Means"]

[Text] The national statement of account shows that Danes now spend 98 ore of each krone earned. At the same time, private consumption is growing at a slower rate than public consumption.

Danes have now stopped living beyond their means. This is shown by new figures of the new National Statement of Accounts just published by DANISH STATISTICS.

The total Danish gross national product and income was last year 516.0 billion kroner, but we spend only 505.6 billion kroner for private consumption and public expenditures and for investments.

Denmark as a family thus had a budget surplus of 10.5 billion kroner last year. This was reflected in a corresponding export surplus in the goods and services balance vis-a-vis foreign countries.

The fact that Denmark last year showed a foreign exchange deficit of 11 billion kroner in the balance of payments was due to the huge interest payments on our foreign debt.

As a consequence of the overconsumption of the 1960s and 1970s, when we typically spent 1.02 krone for each krone we earned, we have incurred a foreign debt now approaching 200 billion kroner. Interest on this debt will this year exceed 20 billion kroner. In other words, the Danish export surplus doubled before it can cover interest expenditures on the foreign debt and the deficit in the balance of payments.

The new Statement of Accounts further shows that the public consumption, in fixed purchasing power, now for the first time since the middle of the 1970s grows at a slower pace than private consumption.

## BRIEFS

DOMESTIC AUTOMOBILE PRODUCTION STARTED--Hadsund: After a delay of three months, production of the El-bil will begin on 18 June. Managing Director Thure Barsoe Camfeldt informs North Jutland Radio that production start is certain this time after the car has been equipped with reinforced doors and front section to comply with American safety requirements. The El-bil [electric car] has just been tested for collision resistance and approved for the European market. Before long a similar test will assure approval for the American market. Hope Automobile Industry hopes before the end of the year to be able to employ 100 persons. If production is not delayed again, the school for special workers in Aalborg will resume training of young unemployed persons for assembly work. [Text] [Copenhagen AKTUEL in Danish 18 Apr 84 p 25] 11,256

CSO: 3613/154

## BONN FAULTED FOR INADEQUATE SUPPORT OF ASIAN EXPORT EFFORT

Hamburg DIE ZEIT in German 4 May 84 p 24

/Article by Wolfgang Hoffmann: "Exporters and Investors Get Little Advice and Assistance from German Embassies"/

/Text/ The situation of German companies in the Philippine capital of Manila continues to worsen. The firms which set up operations in the island group in hopes of developing new outlets in Far Eastern markets from here, are facing ruin. Dismissals and shorter workweeks are the rule. Bundestag member Klaus Lennartz noted after visiting Manila, "If quick and unconventional help isn't forthcoming here, then the German positions in the Philippines are going to be lost."

Although the German Embassy in Manila is fully aware of the difficult situation the subsidiaries of German companies are facing, the federal government is playing dead. The Economics Ministry in Bonn wouldn't even encourage these Germans working far from home to hold out and keep going.

The critical situation started when the Philippine debts grew at an ever faster pace. In mid-October 1983, the troubled government of dictator Marcos had to ask for a rescheduling of its foreign debt repayments. That meant, trade financing came practically to a standstill. Philippine imports dropped by half and more. The reason: the Philippine central bank is releasing only about 10 percent of the foreign exchange that was available in the past for financing Philippine imports. And since foreign exchange is being exclusively used to finance priority imports, such as medicine and fertilizer, there is a shortage of new supplies in other, less vital sectors, including raw materials and parts and components from parent companies in Germany, because there is no money to pay for them. Production is being disrupted. To top it all off, the FRG's export insurance agency, Hermes Credit Insurance, has "withdrawn its protective umbrella at the very moment when it started to rain in the Philippines," complains deputy Lennartz.

Other industrial nations can only be happy about the restraint the federal government is showing. Since the U.S. and Japan subsidize their exporters as much

as possible, the Philippine importers are beginning to lean even more than before in the direction of the U.S. and Japan. Lennartz notes, "Because of competitive disadvantages, the German firms are probably going to lose the economic positions which it has taken them many years to establish."

In Germany, restraints in economic policies are, of course, nothing new, and this has often paid off. Nevertheless, Klaus Lennartz, member of the Bundestag finance committee, suggests, "If you see how other governments support their firms abroad, you should think about whether our noble restraint in this area is still warranted at the present time. After all, there are also jobs for us at stake."

Bonn doesn't only exercise restraint when German firms ask for concrete export assistance--such as export credits--, but also if it's a matter of helping German business with advice. Inadequate staffing in the research and economic area of German embassies in the Far East indicates very clearly that the German foreign service does not want to be regarded as representing the interests of the German economy.

In Manila, there are a total of two officials who take care of the FRG's economic interests; at the U.S. embassy, there are 16. The Japanese have seven professionals for research and economic issues. Even the Austrians with their active trade delegates are doing more than the FRG. And Manila is not an isolated case. German embassy staffing with economic and science experts is extremely inadequate in the other ASEAN countries which are currently among the most important growth markets of the world, as the table indicates. Klaus Lennartz notes, "For a country like the FRG which depends on exports, this can be fatal."

#### Inadequate Staffing

##### Germany's "Economic Diplomats" in the Far East Compared with the Personnel of Other Embassies

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Country	Bundesrepublik	Japan	USA	Frankreich	Österreich	Niederlande
(8) Indonesien	6	4	18	23	2	6
(9) Malaysia	3	11	11	13	3	2
(10) Philippinen	3	7	16	8	3	1
(11) Singapur	2	6	5	4	5	2
(12) Thailand	4	40	52	13	6	8
(13) Hongkong	3	19	18	25	8	5
(14) Gesamt	21	92	120	86	27	24

#### Key:

- |                  |                 |
|------------------|-----------------|
| 1. Host Country  | 8. Indonesia    |
| 2. FRG           | 9. Malaysia     |
| 3. Japan         | 10. Philippines |
| 4. United States | 11. Singapore   |
| 5. France        | 12. Thailand    |
| 6. Austria       | 13. Hong Kong   |
| 7. Netherlands   | 14. Total       |

Embassy personnel handling economic and research issues in diplomatic post of industrial countries, including Hong Kong. Figures are rounded off because many diplomats have double functions.

At any rate, it's interesting that the FRG's import and export balance with the six countries (ASEAN and Hong Kong) reflects the inadequate staffing of the German embassies. Germany's foreign trade with these countries--about \$ 6.8 billion in 1982--continues to lag far behind that of the Japanese (\$ 43 billion) and the United States (\$ 30 billion). Bundestag member Lennartz recommends, "It might be a good idea to replace the legal personnel of the embassies with economists."

But even such an exchange may come too late for two large orders which are important to German business. The construction of a DM 2 billion fertilizer plant as well as the lucrative expansion of the Philippines' national telephone network will probably not go to German bidders--presumably above all as a result of active intervention on the part of the governments in Tokyo and Paris. For the federal government in Bonn, something like this is absolutely out of the question.

7821

CSO: 3620/304



## GERMAN POSITION IN WORLD HIGH-TECH MARKET ENDANGERED

## Bundesbank Prods Social Partners

Munich SUEDEDEUTSCHE ZEITUNG in German 19-20 Apr 84 p 27

[Text] Frankfurt (in-house report)--The economy must be able to earn more and must be able to develop better, writes Bundesbank in its 1983 annual report. This was done for the sake of competitiveness. On the other hand, both government consumption and the government's share out of the GNP are to be further reduced. Unemployment to be sure exceeded its cyclic high point in 1983 but there is little prospect of quickly lowering it to a tolerable level.

Compared to its competitors, the FRG lost ground in exporting high-tech products; in 1983, Germany only accounted for 17 percent of the \$54 billion earned by the six most important countries from such exports, compared to 21.5 percent in 1978 and as much as 26 percent in 1972. On the other hand, Japan in the meantime achieved a share of 25 percent (1972, 13 percent) and the United States share is 37 percent (32.2 percent). There is only one consolation: last year, the FRG's position did not deteriorate further. Bundesbank warns that any further loss of ground would not only be disadvantageous for Germany's position in foreign trade but would also be bad for employment. In the meantime, the report maintains, "problem awareness" has grown in this field.

## Adequate Earnings Needed

An important prerequisite for technological efficiency, according to the report, consists of high expenditures for research and development. This is where the FRG is one of the leaders on the basis of an international comparison. But it is also important to translate research results into practical operations.

In other words: the economy's structure should be adapted to modern technology as part of a steady process. The ability to earn profits and the general environment would have to be improved for industry: "In the phase of technological revolution, in which the world's economy is now, it is necessary to secure adequate economic contracts and to improve the general conditions for the economy as a whole so that it will once again be worthwhile to assume risks and to modernize the economy through stepped-up investments." Considerable progress was made in this respect last year but the adaptation pressure will continue to be rather strong for the foreseeable future. The strategy must not be defensive; instead, it must be offensive. This is where a large part of the responsibility rests with the parties to the rate agreements. That responsibility goes further than could be described by merely looking at the wage costs. A particularly serious misunderstanding is represented by the fact that technical progress was slowed down to secure jobs instead of being pushed with all might. Without a high production engineering level, unemployment might possibly be even higher.

Technical progress, the report states, could of course save manpower through rationalization in one place but it creates additional jobs in another place. The labor demand is going up not only in the field of research and development but also among the producers of capital goods, last but not least however in the export industry if competitiveness could be improved there through rationalization. Bundesbank views this against the following background: during the current year, exports will once again be of decisive importance to the entire economic situation.

Regarding the current situation, Bundesbank warns against feeding the flames of inflation once again. Growing problems do arise in connection with prices during the course of economic recovery but these problems can be brought under control if employers and workers continue to behave in a stability-conscious manner. This is all the more true since, for example, the earnings from fixed assets in the enterprise sector for the first time again offer a bonus for the attendant risk which is considerably higher as compared to investment return figures. Of course, it is still lower than what it was during the 1970's or 1960's.

#### Unfinished Consolidation

The government is encouraging Bundesbank to be even more restrained in its operations. Measured by the national product, government consumption in 1983 had dropped somewhat but only the attendant reshuffling points the way in the right direction: the investment level, according to the report, is still not high enough to secure the competitive strength of the enterprises and thus also jobs in the long run. Although the deficits of the regional corporations

turned out to be less this year than a year ago, the task of consolidation has not yet been fully accomplished. As for the improvement of medium-term growth conditions, the reduction of the large share of government expenditures out of the national product is no less important than the reduction of deficits. The reduction of the "government share" of course does call for a long haul in finance policy terms.

Generally speaking, Bundesbank provides the following food for thought: earlier ideas as to the tolerable level of the government deficit should in the meantime hardly be a suitable yardstick for financial policy. In the past the issue exclusively revolved around the effort to straighten out cyclic fluctuations and not the promotion of structural change or the task of strengthening the foundations of economic growth in long-range terms.

#### IFO Urges R&D Effort

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
10 Apr 84 p 2

[Text] Munich--Did the FRG enter the stage of an "old" industrial society with declining readiness for innovation and increasing encrustations or do the employment and growth problems spring from the deterioration of the international and general economic conditions since the start of the 1970's, although the supply structures are basically sound? In a study, the IFO-Economic Research Institute concludes that the reduced dynamics are primarily the result of unfavorable general conditions.

In the race between the industrial countries for high-tech product markets, Japanese industry of course came out most successful. In the opinion of the IFO Institute, these successes primarily materialized to the detriment of American and British industry without however changing anything in the leading position of the Americans. According to the findings of the IFO researchers, German industry shares with about 8 percent in the export of related products, the Japanese industry gets 10 percent and the American share is almost 24 percent. Measured in terms of productivities, American industry likewise clearly holds the strongest position in the innovation competition. It was able even to improve its dominant position. Japan likewise strengthened its research and development capacities.

Nevertheless, according to the criterion of foreign patent applications used by the IFO Institute, German industry holds second place far ahead of the other big industrial countries. The picture of course becomes more differentiated as we narrow the approach down to the so-called "key patents." In absolute terms, German industry here again holds second place but in a comparison of increases, German top-level research definitely lags behind. After the

United States, Japan, Great Britain, and France also increased the number of key patents applied for to a greater degree than the FRG.

According to the IFO one can however recognize that efforts are being made in the FRG to catch up. According to a special survey conducted by the Institute, in 1982 almost 45 percent of the investments made in the processing industry were connected with product and process innovations. Of course, only a high investment volume in road vehicle construction is behind this innovative investment structure. Essentially, according to the IFO Institute, only this branch undertook considerable efforts to improve its international competitive position. The Institute furthermore points out that--with the German and Japanese economies holding similarly strong positions in world trade with high-tech products--the German position is secured far better through Germany's own research and development.

In the opinion of the IFO Institute, German industry's position which, on the whole, is said to be good, must not cause us to overlook some weak points. In the production of office, data processing, and communications equipment, German industry's position is comparatively weak and one cannot detect any trend toward an improvement in the light of patent activities. According to IFO, the opportunities offered by "microelectronics" as the basic innovation for a high-wage country such as the FRG were to be found possibly more in the field of software and complex systems, rather than in the field of hardware. Research capacities in the FRG of course have been oriented toward fields which are considered worldwide as having a promising future; but one cannot fail to note a certain reluctance to take risks on the part of German research management in working on new research topics, along with a lag behind the United States. Above all, one can recognize that German top-level research has definitely fallen behind as compared to the United States.

From the analysis of the reasons for German industry's weak growth, the IFO Institute concludes that, to improve the situation, economic policy must above all provide for a better, that is to say, much more realistic development of the general conditions. That also includes a restrained wage policy. Financial policy of course did energetically tackle the problem of the structural budget deficit but the expenditure structure cannot be considered to be growth-promoting here. Skepticism is in order as regards the stepped-up use of the subsidy drug to raise the level of innovation activities.

#### Engineering, Electronics in Danger

Duesseldorf HANDELSBLATT in German 20 Mar 84 p 4

[Text] Duesseldorf--An in-house discussion paper from the Bonn Federal Ministry for Economics has come up with a devastating judgment on the German economy's long-term competitiveness. It is thus in crass contradiction

to the official statements from the Federal Government and also the opinion of the big German trade associations on this question.

Although the FRG's output balance surpluses over the past 2 years again diminished doubts about the German economy's competitiveness, this cannot basically be taken as an indication of an improvement or deterioration in the German competitive position, it says in this study. A definite improvement in the competitiveness in terms of prices was decisive for the revival of the German output balance over the past 2 years.

An analysis of the sector and regional foreign trade structure of the German economy however points to the fact that the FRG's significance as a supplier of technologically high-grade products has definitely gone down. Here one must record not only a deterioration of the position containing high-tech products, where the FRG reportedly has become a net importer, but also as regards products with a medium-level technology. The most important competitors for German exports--the United States and Japan--on the other hand have been able clearly to increase their share of world trade in these fields.

In the four major export branches--vehicle construction, chemical industry, electrical engineering, and heavy engineering--the FRG was able to increase its export share only in vehicle construction, as compared to the development of the worldwide import demand. Here the German share rose slightly from 16.4 percent in 1972 to 16.6 percent in 1981. The situation reportedly is still "comparatively favorable" in the case of the chemical industry although the share of German exports there increased less than the international import demand on the whole.

This study recorded "losses of significance" or a "serious decline" in market shares for the sectors of electrical engineering and heavy engineering. In electrical engineering, German exports were not quite able to hold their share, compared to 1972 and 1981, against the background of a slightly expanding international demand; German exports here dropped from 10 percent to 9.7 percent. In heavy engineering, the market share of German exports slipped from 20 percent in 1972 to 16.5 percent in 1981 while heavy engineering retained its significance almost unchanged in world trade. These share losses, the analysis states, appeared particularly as regards Japan and the United States; both countries achieved a definite increase during the period of time covered by the study.

Overall, the FRG's importance as supplier of technologically high-grade products has definitely declined; this becomes clear last but not least also in the light of the fact that the German share out of world trade with technology-



intensive goods in 1972 was 17.7 percent, in other words, above the German share of exports of all industrial commodities (14.5 percent). This situation was exactly reversed in 1981 and the German export share for all industrial commodities was 12.4 percent, in other words, above the share of technology-intensive products which was 12.2 percent in 1981.

The minor change in the supply structure of German industrial commodity exports, compared to the most important Western industrial countries, also rather neatly "fits in" with this result of declining technology content in German exports. German exports reveal greater concentration on goods with a stagnating or declining share in world trade above all as compared to the United States and Japan. The FRG only gets a below-average share in world trade expansion in such growth sectors as office equipment, data processing, communications engineering, video equipment, and microprocessors.

An analysis of the regional structure of German exports also shows that the growth opportunities of German exports are impaired. Compared to the development of the worldwide import demand, the FRG participated to a disproportionately low degree in the shift in the concentration of industrial commodity trade toward the OPEC and toward the Pacific area which was observed in recent years. German exports instead are concentrated on Europe's comparatively less growing markets and even there German exports increased only below average.

Even in a critical interpretation of the methodological problems involved in an analysis of Germany's competitive position in world trade--the study allows--one would have to start with the idea that the FRG had fallen behind in the high-tech sector between 1972 and 1981. This assumption is reportedly backed by the FRG's permanently negative balance in the record of patent and license transactions with foreign countries which more than tripled since the middle of the 1960's.

In the long run, the "quality" of German industry's competitiveness could be guaranteed only--the authors conclude--if flexibility is regained on the commodity and factor markets. At any rate however it remains a decisive condition for the FRG to keep the markets open even though this might turn out to be painful for individual branches.

#### Genscher Urges European Cooperation

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 12 May 84 p 13

[Text] Bonn, 11 May--Federal Foreign Minister Genscher appealed to German and European enterprises to cope with the industrial structural change through technical cooperation, especially in the new key industries which are represented by data processing and biotechnology. In a conference held by the For-



eign Ministry under the title "European Technological Cooperation" in Bonn on Friday, Genscher said that Europe could keep up with the United States and Japan only if resources in research, development, and production were to be combined within the big European home market and if government, the economy, science, and the labor unions in the individual countries were to be mobilized in support of this structural change.

The dispute over reduced working hours shows that this task has not yet been fully understood in the FRG. Genscher came out in favor of the idea of making technical adaptation easier with the help of flexitime. But if the "standard" work week were to be only 35 hours, it would be impossible to master the technological challenge.

Genscher believes that billions are being wasted in Europe because equipment is being developed parallel in the individual countries, twice, three times, and more. The cost advantages deriving from specialization and division of labor should be fully utilized. Beyond technical cooperation, Genscher also advocates cooperation on the market. European enterprise groups are necessary according to him particularly in telecommunications. Specifically, Genscher called for the buildup of a strong domestic production effort for integrated circuits, an efficient computer industry, and the accelerated expansion of telecommunications with the help of a uniform integrated network for Europe. (Integrated Services Digital Network). According to Genscher, European cooperation must be practiced now. One must not just talk about it.

Along with a European pillar, represented by the security policy of the North Atlantic Alliance, Genscher also wants a "European pillar represented by economic partnership" in Europe. In Genscher's view, cooperation should be expanded step by step. Not all West European countries need participate right away. At first it might be a good idea to promote cooperation in smaller groups or between individual countries. The FRG and France could assume a key position. Genscher has much sympathy for the idea that, in analogy to the German-French Security and Defense Committee, a committee for cooperation in data processing should also be created. A German-French technology complex, Genscher thinks, could be a pacesetter for European cooperation.

The objective of this cooperation strategy should not be a technically autarchic Europe. The Europeans, says Genscher, should have an open mind as regards worldwide partnership. They could be equal partners only if they catch up technologically. Dependence on American and Japanese technical developments would have to be reduced and prevented. Only if Europe can pull abreast with America and Japan in the high-tech field could there be a balanced triangular relationship.

Industry spokesmen criticized the fact that efforts aimed at technical cooperation were blocked by the Federal Office for the Control and Supervision of Cartels, as happened just now in the case of the Berlin Glass Fiber Factory. Genscher pointed out that there is a goal conflict between the need for cooperating and, in the process, nevertheless preserving adequate competition.

5058

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## GERMAN INDUSTRY EXHIBIT IN TOKYO DRAWS MIXED RESPONSE

## Attendance High, Results Uncertain

Hamburg DIE ZEIT in German 11 May 84 p 30

[Article by Helmut Becker: "Signal for the Cavalry Charge--Following the Trade Exhibition, It Is Now the Exporters' Move"]

[Text] Last Sunday at 1700 hours sharp the exhibitors at the German trade exhibition in Tokyo gave a concert of a special sort: An infernal chorus of hooting horns from the German auto industry was joined by the clattering of industrial machinery, the last cries of the exhibited cuckoo clocks, and the popping of champagne corks.

But also a good many sighs of relief could be heard when the gala show of German proficiency came to an end in Japan after a duration of 2 weeks. "We had 862,514 visitors," gloated Friedhelm Sartoris of the Exhibition and Trade-fair Committee of German Industry (AUMA). "This figure exceeds all expectations."

However, whether or not this mammoth presentation of German leading technology has also fulfilled the expectations of the Japanese hosts cannot be inferred from the number of visitors. Nor from the business deals made. With such presentations, these things are not of central importance anyway, but are only a welcome addition.

To be there was everything. For the time being the essential thing in Tokyo was not the struggle to place among the winners in the world market. Although when entire detachments of German notables from industry and politics fly to Tokyo, negotiating is certainly inevitable. And so there were announcements again and again of specific business deals and even more frequently of good intentions to do business in the future. But whether this 150-million mark show has really paid off for the FRG will actually come to light only a few months or even a few years from now.

For the time being there is no reason for euphoria. The impression of the "German ailment" which is already a byword in Japan cannot be rectified overnight. After all, for years now German politicians and managers have been especially fond of voicing their self-pity to no less than their keenest world-market competitor, and again and again at home and abroad

they have alluded to the dangerous or even superior competitiveness of their Far-Eastern rivals--a gratuitous promoting of Japan's image.

Although the exhibition's motley mixture of masterful trade-fair techniques, the German zeal for research, and harmless cliches pertaining to romantic Germany did make an impression, nevertheless over the years exports cannot survive on that alone. At best the trade exhibition symbolizes the end of German "Ja-panic," as it was called by Arno Bock, the chairman of the foreign-trade committee within the Association of German Engineering Establishments (VDMA). But by itself this is not yet the turn toward a "technological and industrial offensive" which Federal Economics Minister Graf Lambsdorff called for.

Trumpf chief Berthold Leibinger, a prime example of the fact that even representatives of small-scale industrial firms can be successful in Japan, formulates this in a more subtle way: "We are beginning to give thought to the Japanese market and not merely to the Japanese competitors." In view of a German deficit in Japanese trade of 9.2 billion marks last year, it is high time for this.

Thanks to this trade exhibition, at least the charge made by the Japanese that hitherto the Germans have failed to energetically concern themselves with the Far-Eastern market no longer has to be so unprotestingly put up with in the future by the representatives of the FRG. This new German self-confidence has encouraged the Federal economics minister to repeat certain old allegations. He sharply criticized a bundle of import facilitations just decided on by Tokyo: "I want to raise the question of whether such a package of measures can be sufficient to bring to an end the constant pressure of our trading partner Japan and stop an argument which after all is not very agreeable on the whole," wrote Lambsdorff to his hosts in the guest book, immediately answering his own question himself: "I fear that the answer cannot be especially hopeful."

Even before this Lambsdorff had complained about a number of impediments to the exhibitors, which did not seem to be very much in keeping with what was stressed in all official speeches about a willingness on the part of the Japanese to open up their markets. Also not entirely in keeping with the efforts to polish up the German image was a special program on the trade exhibition by the state television station NHK [Nippon Hoso Kyokai] which was broadcast the day after Lambsdorff's rebuke. This program ended up portraying Germany as an "industrial nation with declining exports," "weakening energy," and "labor struggles for the 35-hour week." Nixdorf's Japanese viceroy Joseph McFatridge regards this as a signal from the Japanese: Notwithstanding any trade exhibition, the Germans should not be overhopeful. "At first NHK questioned us expressly about high technology--but later it did not broadcast anything concerning this."

Evidently the Japanese themselves were also entirely of two minds about what they really wanted to see. After it had proved possible to thoroughly satisfy at many points in the show an interest in top-notch industrial achievements which they always so readily stressed, once again things were not to their liking. Suddenly an ostensible lack of a common touch was

discovered. On Monday, Tokyo's evening newspapers complained bitterly: "Why then did nobody tell us that the average Japanese person was not welcome at the trade exhibition," ASAHI complained, for example. And it wrote: "We have seen much machinery which we did not understand, but there was nothing to buy."

The newspaper complained that there was no German bratwurst, no Berliner weisse [a light fizzy beer], and no gummi-bears to suck, which are beloved in Japan but are banned, and it regretted not seeing "a genuine German market woman in a stall in front of the marketplace scene." The unkind conclusion, which at this level of harshness was also unfair and sounded more than just a little odd coming from the mouths of Japanese, of all people: The Germans only wanted to do business.

In fact they do want this in the future. We will have to wait and see whether the mammoth event leads to more respect among the Japanese for the German competitor as well as to a stronger buying mood and whether it has again raised the repute of the words "made in Germany," which in recent years had fallen.

We will also have to wait and see whether a rethinking is really going on among the German exporters to Japan. In the economic warfare the trade exhibition was perhaps a trumpet call, but whether it will be followed by the cavalry charge as well still remains to be seen.

#### Japanese Media Strangely Silent

Munich SUEDEUTSCHE ZEITUNG in German 8 May 84 p 4

[Article by Gebhard Hielscher: "The Silence in the Japanese Media Forest"]

[Text] Tokyo, 7 May--The German trade exhibition in Japan, which came to an end in Tokyo on Sunday after a 2-week run, is being hailed as a great success by the organizers. This appraisal is based on two reasons above all: The large number of visitors, and the positive assessment given it by the exhibitors. In fact the number of visitors exceeded all expectations, with a total of over 862,000 or more than 60,000 per day on the average. And on two days--the Japanese holidays in celebration of the emperor's birthday and Constitution Day, with 140,000 and over 147,000 visitors respectively--even the previous daily record for the Tokyo fairgrounds in Harumi was broken. Also the positive assessment of the trade exhibition by the great majority of the roughly 500 German exhibitors cannot be disputed. The preliminary analysis of a poll of the exhibitors taken by the Exhibition and Trade-fair Committee of German Industry (AUMA) arrives at similar results, according to information from a spokesman of this organization.

Nevertheless any success enjoyed by the German trade exhibition which is inferred solely from these criteria must be carefully questioned. Above all for the reason that the exhibition has been almost completely ignored by the Japanese daily press and has been deemed worthy of only a very limited coverage even by Japanese television. It is true that in the final state-



ment issued on Sunday evening by the trade-fair management the following paragraph is also found: "The Japanese media, the radio, newspapers, and television, have given exceptionally detailed reports and in doing so have paid special tribute also to the performance capability of German industry." But that is either window dressing or a deliberate attempt to mislead all those Germans addressed by the final statement who cannot obtain in Japan their own picture of the media's response to the trade exhibition.

Because unfortunately the opposite of what is asserted in the statement is true. For an exhibition lasting this long and of this size, which in addition had such vigorous support from the highest levels of government on both sides--think only of the joint sponsorship by Federal Chancellor Kohl and Premier Nakasone, who himself even went to the opening--the coverage in the Japanese media was exceptionally meager, especially given such large numbers of visitors. Naturally there were reports everywhere about the opening proceedings, and even after that there were still individual news items now and then about events in connection with the trade exhibition.

But in no case were these reports in any way prominently positioned or given a big spread. There were routine reports as part of the coverage of daily events, written like compulsory exercises included within some reporter's daily round in a metropolis with many competing events. For example, none of the five large daily newspapers with a national circulation--YOMIURI, ASAHI, MAINICHI, SANKEI, and NIKKEI--presented anything like a feature report with a more detailed description of what was being offered at the exhibition. In these newspapers there was also practically no references to this or that exhibit of particular interest.

Thus, the prototype of the space laboratory Spacelab, which was intended as a main attraction of the trade exhibition, received almost no major notice. Also Ulf Merbold, who through his experiences as an astronaut was supposed to lend a human dimension to the achievements of the FRG in the field of space technology, was not well received in the Japanese press.

So that there are no misunderstandings: These observations are applicable above all to the five large newspapers mentioned. No similarly unambiguous statement can be made for television, because of the large selection of programs--in Tokyo a full program schedule is broadcast on seven channels from about 6 o'clock in the morning to at least midnight--since one station or another may have inserted an interview or a short report in one of the many current-affairs programs. In any case the number of major telecasts about the trade exhibition or at least in connection with it was minimal (in first place was NHK, the official television station, with the private station TV Tokyo being far behind). Thus for Japanese television as well the German trade exhibition was not exactly an exceptional event.

The scant response from the media in Japan to the German trade exhibition raises above all the question about the reason for this: Did it lie in the exhibition itself, which was designed mostly as a samples fair for visiting tradespeople, but which in this same form was opened to the general public as well? The fact that many people came demonstrates only great interest,



but does not mean that the people went away again satisfied. By no means was there any preparation for the crush of people on the holidays. Or were there shortcomings in connection with the public relations work? Possibly the Japanese media will break their silence at long last and now furnish in retrospect an assessment of the trade exhibition from a Japanese point of view.

As for the rest, we can only emphasize that as a samples fair designed to improve economic relations with Japan, the trade exhibition was naturally a great success, for one thing because it met with great interest among the visiting Japanese tradespeople, and for another because it has caused at least those 500 exhibitors and beyond these also a broader public in the FRG to finally take a serious look at Japan. That was none too soon.

#### Focus on Japanese Market

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 8 May 84 p 13

[Article by Peter Odrich: "Japan as a Lesson--on the German Trade Exhibition"]

[Text] About a million Japanese have viewed the German trade exhibition at the Harumi fairgrounds in Tokyo. This number goes beyond even certain audacious predictions. Nevertheless it would be wrong to try to measure the success of the most important and expensive German industrial exhibition abroad up to now by the number of its visitors. For one thing, Harumi lies in the midst of one of the largest areas of population concentration in the Far East. For another thing, not a few Japanese businesses consciously jacked up the numbers of visitors, in that their employees were allowed to visit the show during their working hours. Perhaps the kind of impression which the exhibition has made on the masses of visitors will be more clearly apparent in the course of time. Probably other results are more important than the hosts of sightseers.

Never before have so many German businessmen been in Japan at the same time as in the last 3 weeks. Never before have so many directors, managers, proprietors, and technical personnel from such a wide variety of firms had so much time to observe the Japanese market. One Swabian businessman who has been successfully working in Japan itself for a long time now hit the nail on the head when he said that hitherto Japan has been seen only as a competitor, but now Japan was beginning to be considered also as a sales outlet. This observation is underscored by the fact that on the Japanese market even large German concerns end up with sales figures which can be rated only as meager. Prior to the trade exhibition, the people who are in charge of the day-to-day running of such businesses frequently were not given the necessary support from their managing boards for approaching the Japanese market in the manner which was requisite for an orientation to the long term. But now this has changed with the trade exhibition. Suddenly, business with Japan has received a substantial impetus. It was precisely in this regard that the German trade exhibition was definitely a success. The fact that the Japanese side must substantially liberalize its well-known trade practices, which in some measure hinder imports of foreign

goods in the course of administrative execution, is another story altogether, although a very important one.

Even at the opening proceedings the Japanese economics minister had stressed in a frank manner and with a pointedness which was unusually sharp for the Japanese setting that the trade exhibition in Tokyo cannot and must not be the final goal, but rather only an initial start for German efforts with respect to the Japanese market. To all appearances, most of those listening to this speech have realized that in the future it will take much more strenuous exertions for this second-greatest market in the world than have been made in the past. A part of this realization is also the recognition that in this market investments will pay off only over long periods of time.

If deeds now follow the words, then the long period of overly high German deficits in its foreign trade with Japan could really come to an end. Initial steps in this direction were already taken here and there during the trade exhibition. Several German firms have begun to implement their previously vague intentions to set up their own operations in Japan. Not only businessmen but also individual officials and political figures have taken advantage of the opportunities within the framework of the trade exhibition to do more than just go on tourist excursions. Thus the environmental officials from the Federal Ministry of the Interior have used their days in Tokyo for intensive talks about Japanese experiences with exhaust-gas detoxification for motor vehicles. Because of this the intention of the ministry to take steps in Germany similar to what was done previously in Japan has been substantially strengthened. At the same time, Baden-Wuerttemberg Minister President Spaeth has availed himself of his trip to Tokyo to arrange with a Japanese province a very specific cooperative effort for his Federal Land. Here the explicit objective of the two partners is to jointly help those small and intermediate companies which in the initial stages have great difficulty setting up in business by themselves in the corresponding other country.

The list of encouraging results can be extended further. Among these results is not least the engaging of Japanese officials and firms for the German trade exhibition. It can be said without exaggeration that the success of the German presentation scarcely could have happened without this massive Japanese commitment. The extraordinary helpfulness of the Japanese side is easy to explain: Nothing would have hurt Japan more--according to its own understanding--than a failure in connection with such an important foreign trade exhibition. That would have been quickly misinterpreted as a manifestation of the country's withdrawn attitude with respect to its trading partners. The government of Nakasone and the country's industry wanted to guard against this in every way possible. The fact that they succeeded in this is not astonishing in view of the Japanese penchant for thoroughness. In this expedient helpfulness lies also the key to an explanation of why so uncommonly many concessions were made by all the Japanese authorities and agencies involved in terms of the practical running of the trade exhibition.

An intense light also casts deep shadows. This old platitude is particularly applicable also to the German trade exhibition in Tokyo. Both the German preparations and the running of the show have permitted the Japanese quite a few insights which from the Japanese standpoint are quite new. Whereas in Japan the Germans have been historically viewed as paragons of order, perfect organization, and planning, for all its success the trade exhibition has shown a certain number of shortcomings in organization and planning, hastiness, and mistakes, which has aroused astonishment and second thoughts on the part of the Japanese. In the coming months in Japan, a stocktaking will be made in the matter of the trade exhibition--and the results appearing thereby in all probability will prove to be by no means only favorable to the FRG.

#### German Export Readiness Expressed

Bonn DIE WELT in German 27 Apr 84 p 7

[Article by Hans-Juergen Mahnke: "Good News From Tokyo"]

[Text] What is now happening at the "Japan '84 German Trade Exhibition" in Tokyo is in welcome contrast to the words which had been used to greet this exhibition--which by the way is the first of its sort in an industrial country--during the period of its preparation. No longer is there any sense of faintheartedness or of reticence. The German businesses obviously have been revving up. Their representatives now have a self-confident attitude, with this happening in a market which in the past was all too often given a very wide berth by many.

Thus in recent years, signals important to economic development in the FRG have been coming from Japan of all places. In this area, Federal Economics Minister Otto Graf Lambsdorff kindled a debate about the willingness of German employees to work hard. Japan also became a yardstick for measuring the competitiveness of German industry. And the advancing of this Far-Eastern island kingdom in the world markets, which was as rapid as it was often relentless, caused many in this country to lose heart.

In recent months this has changed. Otto Graf Lambsdorff mentions that German exports have no need to fear international comparisons by and large. It is true that with some products of leading technology, there is still a certain backlog demand. But the slogan "Made in Germany" continues to have its good reputation in the world. What we have here is by no means merely wishful thinking, as is shown just by the exports alone, which have picked up speed considerably since the summer. But a role has also been played by the realization that in foreign countries and above all in East Asia, one can scarcely present oneself successfully in sackcloth and ashes.

This way of thinking also spurred on the trade exhibition in Tokyo, which moreover is now occurring at a time when an upswing has established itself in the FRG. But it cannot be expected that subsequent to such an event the trade currents will now reverse. After all, German imports from Japan in 1983, which came to DM 14.8 billion, were almost 3 times higher than deliveries from there, which amounted to a sum of DM 5.6 billion. The

deficit of DM 9.2 billion was exceeded only by that which still exists vis-a-vis the Netherlands. And the additional import facilitations of the Japanese are unlikely to change this situation in any way.

Nor is a bilateral balance in the flows of commodities the most important consideration. Whoever makes use of this measuring rod must also apply it to those countries against which German industry is achieving surpluses. This would hit the export industry hard. The significance of the exhibition also goes far beyond the Japanese market, since it is aimed at that region--at the Pacific Basin--which is one of the most dynamic areas in the world. Moreover a country which beards the lion in his den refurbishes its own image. And if more business is done, then the thing has paid for itself already.

However, Japan's large surpluses do remain a problem, because they provide ammunition to the protectionists. In the EC, the Federal Government is finding it increasingly difficult to push through its liberal foreign trade position. In the United States also, the Japanese are constantly under fire. If the Japanese would buy more finished goods in the other industrial countries, it would be easier to counter a number of moves toward interference in free world trade.

Moreover there is still the basic problem of what is to become of world trade: Whether it should be a field of activity for individual businesses--which corresponds to the German attitude--or whether it should become an arena for economic competition among states, which is where the inclination lies in Japan. If the State and certain industries join forces and develop a common strategy, successes can be quickly achieved. Individual businesses cannot hold their own in this situation. With that, countermeasures are already in the cards.

Now the Federal economics minister has raised this problem once more. It must also be dealt with, otherwise much can begin to slip away. The trade exhibition is a signal of readiness to expand trade. It should be taken note of by everyone.

12114

CSO: 3620/305

## STRONG ECONOMIC RECOVERY MAY BE THREATENED BY INFLATION

Trouble Foreseen by 1985

Helsinki HELSINGIN SANOMAT in Finnish 8 May 84 p 27

[Article: "Now We Are Living Sweetly in a Happy Time of Rising Economy, but: A Storm Threatens in a Year"]

[Text] Now there is a rising economy; everyone admits that.

In the fall, however, it could be different, at least [by] the fall of next year. The government is increasing employment taxes, the government is raising fees and tariffs, and citizens' taxes are being tightened. The rising economy that has been achieved through self-restraint may end up in a whirlwind for the Finnish nation, with prices shooting upward and production figures downward.

The research institutions that prepare economic projections have improved their predictions since the beginning of this year. The national bank predicts that the gross product, or total of industrial production and services, will grow five percent this year. The Workers' Economic Research Institute predicts perhaps a little more.

The rising economy is an indisputable fact. This is shown also by the fact that research institutions of both the right and the left estimate the growth to be about the same. Generally the opinions of the left have been more "optimistic" than those of the right.

Even Timo Relander of the Central Industrial League has to admit that a rising economy has begun.

But.

Now a falling economy is already in sight. The "leading indexes" that predict economic growth in the United States are already pointing downward. And it is not a matter of some momentary fluctuation. The direction has been downward ever since the middle of February.

In Finland, the continuation of a rising economy is limited principally by two things: inflation and the cost of money.



If inflation gets out of control, the gains in the income agreement will soon be eaten up. Then the price-competitiveness of Finnish products will be shaken, as also in time the stability of the markka.

If the cost of money stays high, this in turn will influence investments, which are supposed to maintain the final phase of the rising economy, which means next year. Already real interest is ten percent according to some calculations.

#### "Interest Down by Two Percent"

The Workers' Economic Research Institute once again sees revaluation as a remedy. But this time it would not be the only medicine--reduced interest rates would be involved.

Bank interest rates for loans should go down by two percentage points, the daily credit rate should go down to 13 percent, and after that excess money should be cut with a 3-4 percent revaluation, the TTT [Workers' Economic Research Institute] concludes.

This time people can't just blow the TTT's talk away, because real pressures are being placed on the markka and at least industry agrees: Interest down.

The reasons for revaluation pressure and high interest rates are contradictory. There are pressures to revalue the markka because money is flowing into the country. Foreign currency reserves are already about 14 billion markkas at this moment, about 3 times what they were last year at their lowest point last fall, when there was enthusiastic speculation about revaluation. Of course it is true that the money is coming into the country because a new revaluation is still expected.

The daily credit rate, again, is so high--16.5 percent--because the Bank of Finland is frightened by the thought that the foreign currency that has flowed in might leak out of the banks' vaults. This much extra money would tend to cause the "inflation pot" to boil over, the Bank of Finland concludes.

The Bank of Finland also concludes that by keeping the daily credit rate high, banks will prefer to invest funds in the central bank's daily credit market at 16.5 percent interest rather than outside at lower interest. The average interest rate is of course a little under 11 percent.

Daily deposits have in fact been accumulating in the Bank of Finland's accounts. There are 2 billion [markkas] more than daily credits.

#### The Markka Is an Investment

By keeping the daily credit rate high, the Bank of Finland is also keeping the cost of money high, because banks can float two-thirds of the money-market costs as loans at the average interest. The costs of market funds in turn follows the daily credit rate like a shark [follows] a ship.



The high level of interest and the strong markka have also caused an entirely new situation: international risk capital is coming into Finland, not only into stocks, but also into money-market funds.

Money is coming for example in this manner: Smart money takes from Switzerland, where there is a low interest level, and gives to Finland, where one can get good interest in a short time.

In other words, there may be in the currency reserves, and will perhaps be more and more in the future, international risk money, which goes even faster than it comes.

#### Inflation Feared in the United States

In the United States, people are beginning to glance worriedly at the inflation figures. During the first quarter of the year the inflation rate in the United States was 5 percent, whereas a year earlier it was 3.8 percent.

United States economic experts are viewing with concern the degree of utilization of capacity in various industries. For example, the degree of utilization in the paper industry is already nearly 100 percent. Economic history tells that inflation has picked up speed when the degree of utilization of capacity reaches a certain level. That level has gotten lower and lower with each economic cycle. In 1965 inflation took off when the degree of utilization was 86 percent, in 1972 when it was 84 percent, and in 1978 when it was 82 percent.

In March, 81.1 percent of industrial capacity was in use.

Inflation, like all economic development, is largely a matter of mass psychology in the United States. Even expectations of inflation begin to strengthen, and they have a tendency to bring themselves to fulfillment.

#### Using Taxes Against Inflation

In Finland, the government stands up against mass psychosis, and they have always sworn, when asked, that at the end of the year Finland's rate of inflation will be 6 percent.

In fact the government has even bound itself to that goal with a law. It is proposing to Parliament an index law, in which it is stated that this year the inflation rate is 5.8 percent and next year 5.4 percent.

It would not be easy to believe in the government's assurances after the income agreements, if it were not a government with eternal money problems and reorganizing its brain.

A supplementary budget is being prepared by the government, and it will clearly be financed in part by raising employers' employment fees and tariffs. Unemployment is clearly under control so that the mountain of grain can be broken down by making employment of people more expensive than before.

In order to ease its money situation, the state will also sell bonds to the citizens, from which one can get 11.75 percent interest; that is double inflation compared to the goal.

The state's inflation line is quite clear: when there is a question about citizens' income, the inflation goal requires restraint, the income of the state is another matter, however.

Economic institutions are at least approximately agreed that additional taxes and tariffs will not exactly upset the apple-cart, at least during a rising economy.

From a True American to a Real Finn

But there is now only a year and a half left before a total solution to income policy is to be achieved, this time right at the beginning of a falling economy.

This time labor was content to watch from the sidelines while white-collar workers measured up benefits for themselves.

Next year citizens' taxes will be going up, if only because according to government formulas income tax brackets will be corrected only for a 5 percent inflation.

In at most a year and a half there will again be a time when the wallet's thickness will be measured once more. From these measurements there could well begin a real Finnish accelerating inflation and whirlwind falling economy.

Until then we can watch how the true American system works in our country: low inflation, high interest level, and increasing national debt.

#### Central Bank's Kullberg Comments

Helsinki HELSINGIN SANOMAT in Finnish 8 May 84 p 27

[Article by Antti Blafield: "The Man Has Had Plenty To Do: Director Kullberg's First Year Complete"]

[Text] Director Rolf Kullberg of the Bank of Finland stops for a moment before entering, then marches to the podium, breathes in a noseful of air, and says: "Ladies and gentlemen, we have invited you here today, because we think we have something to say that qualifies as news."

Then he looks at Harri Holkeri, Ele Alenius and Esko Ollila, his fellow decision makers, who are seated in front next to one another with the same sense of humor.

Kullberg will probably step into the limelight again this week. The subject will probably be that the basis of cash reserves due from the banks will be broadened to cover all market-money and currency accounts. At the same time the central bank will probably eliminate the difference between lending rates for commercial and local banks, which is now 0.6 percentage points.

Rolf Kullberg first crossed the threshold into the news as chairman of the board of the Bank of Finland a year ago on 27 May. Ahti Karjalainen had just been carried over it by force into an early retirement.

In fact, the financial policy line adopted by Kullberg had begun to appear already a month and a half before. Of course at that time he was still sitting on the rostrum next to Ahti Karjalainen.

At that time the Bank of Finland gave the banks permission to transfer 40 percent of the costs of market money into loans at the average interest rate.

At the same time they gave up the system of graduated daily credit rates. There came a single daily credit interest, at that time 15 percent.

#### The Cost of Money Becomes a Noose

After that, the Bank of Finland has continued on the same path: the daily credit interest has been simplified in such a way that it is easy to use as an instrument of monetary policy and it has an immediate effect. Banks' lending rates are more and more tied to the cost of market money and this in turn is tied to the daily credit rate. In this way the Bank of Finland can regulate directly the cost of money, even if the interest agreement is abandoned.

During Kullberg's time another main current has racked the currency basket, which determines the external worth or worthlessness of the markka.

On the same day that Kullberg held his first news conference as director, Bank of Finland press officials placed a release in three languages on tables outside the auditorium: The central bank will stop keeping accounts in rubles.

The subject was obviously too sensitive for the director to respond to in his first press conference or else it did not qualify in Kullberg's mind as newsworthy for the auditorium.

However it was, the result was that during Rolf Kullberg's directorship no one has kept ruble accounts. This means that a large enterprise trading with the East cannot receive any shelter for its ruble receivables worth hundreds of millions of markkas.

But cessation of the accounts was just the first step. And the end of the year the currency basket was reorganized totally so that the ruble was removed from it. At the same time the formula for computing the currency index, which had slightly distorted the value of the markka, was revised.

The Bank of Finland also began to implement its currency policy more actively by reporting the currency index as well as the daily credit rate on a daily basis, whereas it was formerly ground out once a month.

## Devaluation Rumors Crushed

Kullberg's second press conference as director touched only on monetary policy. The bank's basic interest was raised by a percentage point to 9.5 percent.

In September a new line was seen in real action for the first time. More and more distrust toward the markka was being felt at home and abroad, and rumors of devaluation were circulating both in world financial centers and in the forestry sellers' own meetings.

One action sufficed for the Bank of Finland: the bank's daily credit rate for both receivables and payables was raised by three percentage points to 18 percent. This likewise sent the cost of market money upwards. Money began to flow back to Finland, and this flow hasn't stopped since. Now there is speculation about an additional revaluation of the markka.

Finnish banks are trying to squabble against the high interest on market money, but in vain. The interest cartel led by Mika Tiivola broke up at the beginning of the year.

After September the daily credit interest was lowered again gradually as currency reserves swelled up; it went all the way to 16.7 percent.

At the end of the year it was raised again to 17.5 percent. This time the reason was not forced by currency but by the need to break up the interest cartel and to place a tighter noose on the cost of money.

At the end of the year the banks were given the possibility of investing two-thirds of their market-money costs at the average loan rate. Thus loans and market money approached one another, especially market money and bills, from which the interest ceiling disappeared.

## Raise and Govern

The Bank of Finland also gave foreign banks permission to enter the daily credit market. They did not participate in the interest cartel, and thus they could enjoy the 17.5-percent interest on money lent from money markets, a little more expensive than the 14 percent paid by the Finnish banks.

"Divide and govern" is the Bank of Finland's guideline.

Another is "raise and govern." At the beginning of the year the cash reserves due from the banks to the vaults of the Bank of Finland was 3.3 percent of the banks' deposits. Now it is 5.4 percent. The ceiling imposed by the bank's board is 8 percent at this moment.

At the beginning of last year the daily credit rate was 12 percent; now it is 16.5 percent.

At the beginning of last year the markka had just been devalued by 10 percent. At the beginning of this year it was revalued by one and a half percentage points and more is expected.

The man has had plenty to do.

## BOYER DEFENDS ECONOMIC POLICY BEFORE CENTRIST GROUP

Madrid ABC in Spanish 11 May 84 p 55

/Text/ Boyer: "We are making policy less harsh in view of the present economic situation."

The 0.5 forecast for April will put the IPC at 11.1 per year.

The minister of economy and finance said yesterday before the respective committee of Congress that the government is making policy less harsh, taking into account the current situation of the Spanish economy. Any other alternative, according to Boyer, would entail firmer measures in view of current imbalances.

At the request of the Centrist Group, Miguel Boyer appeared at the Economy and Finance Committee of Congress, where he analyzed the general growth of the different economic sectors. According to the minister, the socialist government has achieved in a single year in power three objectives difficult to obtain simultaneously: economic growth, reduction of inflation, and equilibrium in the balance of payments.

For the government, jobs and social welfare are its ultimate objectives, precisely the variables which good economic growth takes longest to affect. Despite not having achieved social reconciliation, Boyer said that the government has exerted tremendous moral pressure to hold the line on wage increases in order to carry out its economic policy. This is how it has kept average wage increases in the agreements signed so far to 7.5 percent; such increases are not expected to exceed 7.7 percent for the entire year. This means that although this is not the ideal rate, there has still been a 4-point decrease in wage increases, thus contributing a positive element in the fight against unemployment and inflation. To this effect he asserted that the government is prepared to intervene in social reconciliation. But, he said, a macroeconomic policy cannot be made by conciliatory measures. Some aspects can be agreed upon, but not the large variables.

As for the increase in the public deficit, criticized by the spokesmen of the Mixed Centrist and Popular Group, the minister recognized that it is presently 100 billion over the projected amount, but he made assurances that the objective of reducing the deficit and increasing fiscal pressure is being

maintained. He said that there are many factors in uncontrollable public spending, but that "where there is no inertia in public spending, we are introducing extreme austerity." Much restraint is being exercised in expanding credits granted and an attempt is being made not to use up all authorized expenditures.

Regarding the financing of the public sector and the use being made of private savings, which Abel Matutes figured at 60 percent of the total, the minister recognized that the situation is difficult and an attempt must be made to reduce this use, but that time is needed. Nonetheless, he specified that the public sector also "returns" what it uses, though it does so in activities which are needed, even if they are not always the most efficient. He also specified that there is no unsatisfied demand for credit and that the problem for businesses to solve is self-financing and not the means of going into debt. On the other hand, he noted in passing that the deficit in the public sector is generating a surplus in the private sector, which is improving, since the business surplus has increased over the gross national income.

To the assertion by the representative of the Popular Group that government inflation objectives are in danger, and that the inflation rate for March was 12 percent, Boyer explained that, according to the survey by the Ministry of Trade, in April the general index will increase 0.5 points, which means a gain of 1 point this month, putting the IPC at 11.1 points over a 12-month period.

Rodríguez Sahagún, the representative of the Mixed Group, protested, among other things, about the government's economic performance, which, according to him, is being focused solely on the application of a monetary policy.

12448

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## CATALAN MINORITY OPPOSES 'URGENT REINDUSTRIALIZATION ZONES'

Madrid YA in Spanish 11 May 84 p 23

[Text] The Catalan Minority Group yesterday requested the Congress Industrial Committee to delete Chapter VII of the reconversion bill, which deals with "urgent reindustrialization zones, [ZUR]" because it believes that this country has had a negative experience with so-called development areas, and because the establishment of reindustrialization zones can produce distortions and give rise to imbalances.

Regarding this subject, deputy Gasoliba recalled that the European experiments which have been successful are those which favored industrial mobility. This has not always coincided with official forecasts. The group also wished to eliminate the chapter on promotion of technological innovation, arguing that an important problem is thus receiving second-class treatment.

Both proposals were rejected by the Socialist Group, who believe that reconversion involves a shock to employment in certain areas, and that as a result it should receive shock treatment through the ZURs. Regarding technological innovation, deputy Eugenio Triana declared that it makes an important contribution in establishing general outlines, and he announced that the topic will be discussed in a debate in the chamber on scientific and technological policy.

## Bill Evaluated

Yesterday the reconversion and reindustrialization bill was evaluated in committee without any substantial changes being introduced. The chapters on the topic of labor took up most of the discussion. Communist deputy Fernandez Iguanzo made repeated attempts to introduce amendments to give greater power to the labor unions in the application of geographic and functional mobility and the creation of the ZURs. Likewise, the Communist Party sought to delete article 22, which refers to the Funds for Promotion of Employment (FPE), because it believes that with measures for cessation of employment and adequate professional training to make relocation possible they are unnecessary. Fernandez Iguanzo implied that the reason his group opposes the FPEs is not because they increase unemployment, but because they do not guarantee relocation, and place the workers in unprotected legal situations.

Regarding this subject, the socialist have introduced an amendment to ensure that the agents involved in the reconversion will take part in the setting up of the FPEs and in the liquidation of their resources. As for the communist amendment, deputy Gracia (of the PSOE [Spanish Socialist Workers Party]) replied that the PCE has gone along with rightist measures which were much less effective, but did not trust the FPEs, which offer adequate guarantees and exceptional features for the workers who avail themselves of them. "Also," he said, "the reconversion group is very well protected, and has other relocation mechanisms like the ZURs or technological innovation--as had been demonstrated in Sagunto, where jobs have already been offered to all surplus workers, and the number of jobs in the area has even been increased."

8131

CSO: 3548/254

## MADRID BUSINESSMEN ALARMED OVER SOARING CRIME RATE

Madrid YA in Spanish 11 May 84 p 13

[Excerpts] Ninety percent of Madrid businessmen say that citizen insecurity is "high" or "very high." Seventy-seven percent of those polled say that it has increased during the past year, and 22 percent think that it has remained the same. Seventy-two percent of the businessmen attribute those high rates of insecurity to lack of punishment.

The businessmen, like other citizens, are concerned about the phenomenon of increasing crime in our streets. The Madrid Confederation of Independent Businesses (CEIM) has carried out a poll on the subject in which 561 companies took part.

Forty-three percent of the businessmen replied that there is a "very high" degree of insecurity among the citizenry, and 47 percent called it "high." The small businessmen, who suffer from citizen insecurity to a greater extent, are the ones who made the most pessimistic appraisals of the level of citizen insecurity.

The persons polled were asked about the reasons for that state of insecurity in the streets. Seventy-two percent thought it is due to lack of punishment; 54 percent blame the economic crisis, and the use of drugs; 51 percent attribute it to youth unemployment; and 31 percent to the crisis in moral and ethical standards.

Jose Antonio Seguardo, president of the CEIM, said that the poll had been a surprise to him as regards the percentage of businessmen (only 15 percent) who attribute the phenomenon of the increase in citizen insecurity to a lack of adequate social education, because he believes that this is the main reason for it. "The other data fully agree with what we had predicted, and make it clear that the businessmen have the same feelings as other citizens about the phenomenon of insecurity," said Segurado. "It is a sensitive topic, and should not give rise to demagoguery. It appears to be true that lack of punishment exists, that a succession of crimes have not been punished. There has been too much naivete on the subject of drug use, which I believe is one of the factors which contributes most to the escalation in crime. The leaders of this country have, unfortunately, treated the subject of the use of drugs too lightly."

The president of the CEIM declared that the degree of citizen insecurity in Madrid is no worse than in other European capitals, but that it must be confronted seriously. This poll will be sent to the government authorities, because the businessmen are always prepared to cooperate.

The people polled were also asked what in their opinion would be the most effective measures to lessen citizen insecurity. They favored the following ones: judicial, economic, political, preventive, policial, educational and legislative. The percentages of preference varied according to the type of industry and its size; but there was a leaning toward judicial, economic and political ones, which composed about 70 percent of the total of the businessmen's answers.

How has the insecurity influenced that state of their businesses? Forty-three percent of the businessmen declare that it has had an influence; 43 percent say that it has not. The former are the ones who have "walk in off the street" businesses; the latter own other types of activities, which because they are somewhat isolated, do not suffer from the phenomenon of citizen insecurity to the same extent. Seventy-eight percent think that the influence has been apparent in the reduction of sales and services; 47 percent see a difference in the hours when their clients come in; 75 percent have had increased security expenses; and 83 percent say that this phenomenon has had an effect in costs for special installations.

6131

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## FINANCE MINISTRY OFFICIAL: FOREIGN BORROWING SOON UNNECESSARY

Stockholm DAGENS NYHETER in Swedish 14 May 84 p 9

[Article by Sven Thiessen]

[Text] Swedish borrowing from foreign banks may soon cease, thanks to the recent strong improvement in the Swedish economy. This was stated by under-secretary Bengt Johansson of the Finance Ministry in an interview with TT (TIDNINGARNAS TELEGRAMBYRA).

Sweden now has a foreign debt of about 150 billion kronor. Most of this debt has been accumulated since the 1976 change in government.

"The deficit in the trade balance, which is the net result of Sweden's business with other countries, is about to disappear," said Bengt Johansson. As a result, the state would no longer need to borrow money abroad.

"We still must make interest payments of about 20 billion kronor, in addition to paying for purchases abroad and repaying our present loans. That is a heavy burden in itself, but it is extremely encouraging that, since the fall of 1982 (when the Social Democratic government took over), we have been able to pay the interest on our enormous foreign debt, as a result of increased foreign trade."

Nevertheless, Bengt Johansson warns against believing that the crisis is over.

## Astonishing

"The strength and vitality of Swedish business and the Swedish economy are astonishing," he said. "This has surprised even those of us who believe in Sweden. We have increased our share of the market both at home and abroad since the fall of 1982. This is the primary reason for the improvement in our trade balance. Now we are in a better position to profit from the improvement in our exports."

"Previously we had a kind of defeatist attitude in this country. Many believed that Sweden was falling into an abyss, slowly but surely. This negative attitude has now changed and the present feeling may be a bit too optimistic," he said.

"We still are in a situation in which investments are far too low to guarantee long-term economic growth. Profits must not be used for consumption."

"Even though things are going better for Sweden now, we are not in for a windfall. There is no room for new reforms. New steps must be taken by reexamining old programs and using the money we have available as effectively as possible."

#### Tough Policies

The budget deficit for the next fiscal year (1984/1985), which was estimated at 80 billion kronor at the beginning of the year, is now estimated at 67 billion kronor.

When will we be rid of the budget deficit, so that the government can make ends meet?

"I do not dare answer that today. The deficit is not an isolated issue."

"We said at the very beginning that no government could deal with the deficit as long as the Swedish economy was not working. The basic task was to stimulate economic growth. We have managed to do this and it will have a positive effect on the national budget. Now we must do something about the enormous government spending problem and implement tough budget policies."

Could these tough budget policies result in additional austerity measures?

"That depends on future developments. At present, we see no reason for additional austerity measures in 1984."

"The interest in austerity measures is somewhat exaggerated. The austerity campaigns conducted over a number of years--including the one we were forced to carry out during the fall of 1983--resulted from earlier, weak budget policies, which included overly generous government spending. It is better to have an austere budget policy from the beginning. In this way, no additional austerity packages will be needed."

#### Inflated Wallets

How long can the price and rent freezes continue?

"This depends on future events. We must first see what effect they have on cost increases and inflation."

Can the inflation goals for 1984 and 1985 be achieved, considering the results of this year's contract negotiations?

(Inflation is supposed to drop to 4 percent in 1984 and 3 percent in 1985.)



"As the wage negotiations for 1984 turned out, we estimate that price increases will be higher. The price freeze will cushion the effect of the contracts somewhat, but we will be unable to achieve 4-percent inflation, nevertheless. We will come as close as possible to that figure by utilizing the price freeze and other measures."

"The situation in 1984 will depend totally on future wage and cost trends. It is interesting to note that all segments of society realize the importance of a lasting reduction in inflation and that we must reduce inflation to 3 percent because of the low rates of inflation in competing countries."

"In other words, everyone realizes that it is meaningless to achieve wage increases if they simply inflate our wallets, rather than resulting in increased purchasing power. In addition, higher inflation leads to lower competitive strength and higher unemployment. This will be the basis for our discussions with labor and management on 6 June."

#### Income Policy

What will you propose?

"The government has not called the two sides together to make a list of proposals. The government already has taken steps to influence the results of contract negotiations for 1984 and the prospects for 1985."

"The invitation to labor and management was extended on the assumption that they can have a major impact on inflation and employment levels."

Would a government income policy help solve the country's economic problems?

"It is the responsibility of the government to influence the economy and employment in a positive manner. But in Sweden there is a tradition of cooperation between the government and the parties involved in the labor market and of mutual understanding leading toward peaceful agreements and contracts within the overall economic framework. This is the Swedish model we must build on in the future."

Is it likely that the government will play a more active role in future wage negotiations?

"The role of the government remains unchanged, but it cannot escape its responsibility. The government cannot remain passive if negotiations are going in the wrong direction. It must act because so much is at stake: employment, economic growth, and real wages."

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CSO: 3650/202

## FELDT'S ECONOMIC POLICY RELIES TOO HEAVILY ON 'LUCK'

Stockholm DAGENS NYHETER in Swedish 13 May 84 p 2

[Editorial by JS: "Budget Deficit in TIDEN"]

[Text] "It is a narrow path that the government has chosen to follow--and it is becoming narrower. With a bit of luck, however, it should lead to the goal."

This is how Social Democratic economist Villy Bergstrom described the government's economic strategy in the latest issue of the journal TIDEN. Later in his conversation, he returned to this thought:

"In order to succeed, we must have a little luck and nothing unexpected must happen."

So far luck has been with them. Kjell-Olof Feldt likes to point out that today's inflation and trade-balance figures are better than anyone dared hope when the devaluation was made. This is because inflation abroad has decreased more rapidly than anyone expected.

At the same time, industry has been better able than expected to take advantage of lower costs. Companies want nothing more than to produce and sell more within their existing capacity.

Luck and skill often are two sides of the same coin. There is nothing wrong with the economic expertise at the Finance Ministry. Some decisions have been rather arbitrary, but they usually have turned out to be more accurate than those of the critics. The most difficult test remains, however.

In the interview with TIDEN, Villy Bergstrom painted a bleak picture of the future, with severe and detailed regulation of the credit market, the wage structure, and foreign trade. According to him, this would become necessary if the government's policies failed.

State finances are the big problem. The turning point at which the national debt no longer increases more rapidly than the GNP (gross national product) must soon be reached.

This goal must be achieved before the economy makes a downward turn--but no one knows how much time remains before the peak will be reached. The shorter and shorter economic upswings experienced during the seventies, which were dampened by international disturbances, could be repeated. Uncertainty concerning the American economy is one of today's disturbing factors.

The national debt will increase during the coming years, even if the budget deficit is reduced. Bergstrom is concerned about how the state will manage to meet its future loan payments in 1985, 1986, and 1987--unless this is done by printing far too much money. This would result in a higher rate of inflation.

But there is probably a greater risk that loans taken by the government--and rising interest rates--will eliminate the possibility of investments that are necessary for broadening and renewing the industrial base. This is at least as serious, although it would be longer before the general public felt the effects.

At least for the time being, the finance minister can make inflation disappear by implementing a price freeze. But how can he manipulate the system to produce profitable investments?

LO (Federation of Trade Unions) economist Anna Hedborg, who also participated in the discussion with TIDEN, had (not unexpectedly) a more frivolous position toward budget deficits and the national debt. To be sure, she complained that loans taken by the government helped create private wealth, but at the same time she was unwilling to go along with the austerity that would result from a reduced deficit.

It is not easy to detect what practical policies Anna Hedborg actually advocates. In this respect, she probably is a good representative of LO, which often has had difficulty developing comprehensive and constructive alternatives--to the policies of both the present government and previous governments.

In this way, the interview in TIDEN illustrates the distance between those Social Democrats who have a concrete idea of what should be done and those who prefer to emphasize the redistribution of wealth to such a degree that all crisis-management measures become impossible.

The editors of TIDEN stated with some bitterness that the "Social Democrats are now forced to govern according to the groundrules of capitalism--and, in particular, those of income from capital--to an extent that would have been inconceivable just several years ago." That is certainly a correct conclusion, but what effect will it have on practical policies?

There is a considerable risk that Villy Bergstrom's notion that "nothing unexpected must happen" will become the watchword of the government. All

finance ministers want to have everything in order: Kjell-Olof Feldt wants to have control over wages and corporate profits.

But there is definitely something authoritarian about an economic policy that leaves no room for the unexpected. Not even a finance minister is that much wiser than everyone else.

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## SOCIAL DEMOCRATS SEARCHING FOR A NEW 'SCANDINAVIAN MODEL'

## How To Overcome Crisis

Paris LE MONDE in French 17 May 84 pp 13-16

[Supplement on Sweden, Part I, introduction by Alain Debove; Part II in May 18 issue not translated]

[Text] The Swedish social-democrat government finds itself in a rather enviable position: the economic recovery initiated with the "offensive devaluation" of the crown in October 1982 is asserting itself, and the party is not abandoned by its electorate.

The spectacular increase in exports and industrial production, the considerable profits made by multinational firms, the boom prevailing in the automobile sector and in the wood and paper industry, the slight improvement which can be noticed on the labor market are as many positive results that overshadow for a time the scope of the budget deficit, the foreign debt and an inflation which is still higher than in competing countries. The voters are inclined to indulgence and appear to have also forgiven the blunders accumulated during the past 18 months.

Election-time promises concerning the indexing of pensions were not kept. The freeze of the Third-World aid budget, which no longer represents 1 percent of the gross national product, has caused a stir in the party. The statements made by several ministers on the creation of a Nordic denuclearized zone and on relations with the USSR were sometimes contradictory and showed that opinions diverged within the government and that Mr Palme was undisputed master when it comes to foreign policy. But these faux pas now appear to belong to the past, as does the scandal that forced the resignation of the minister of justice, who had used all legal loopholes of the taxation system to reduce his taxes.

On 4 October 1983, 70,000 people were marching in Stockholm to protest against the planned wage funds and also, indirectly, against bureaucracy, the unions' excessive power and Mr Palme's government. It then looked as if social democracy was seriously shaken. But the wage funds have now become a fact and the debate that was raging a few months ago is now completely extinguished. Passions are tiresome, and only the employers are continuing the struggle. They declined to take part in the management of these collective funds which, in their eyes, confiscate company profits.

Yet, these quarrels may well reappear before the 1985 legislative elections. The opposition finds itself in an embarrassing position. It cannot really say that the economic policy of the government is a failure, since the major indicators are positive, even through independent experts agree with it to recommend a reduction of public expenditures.

#### Finding New 'Model'

Paris LE MONDE in French 17 May 84 p 13-14

[Article by Daniel Vernet: "Social Democracy Looking for a New 'Model'"]

[Text] For a party which has based its political fortune on the patient construction, during 40 years or so, of a welfare state that is unique in Europe and probably in the world, on a highly developed system of social services, on the socialization of consumption, it is not easy to return to power after a short 6-year interruption. At a time when the economic crisis is most acute, the "bourgeois" parties which, in 1976, took away the government from the social democrats when the latter were overcome by misfortune, certainly did not do away with the welfare state. They did not even undermine its foundations, as Mrs Thatcher is dreaming of doing in Great-Britain. They touched practically nothing. In spite of all that is said--that positions in Sweden have become more radical since the late 1960's; that the consensus that used to exist among the various social groups and political parties in the majority and in the opposition has flown into pieces under the conjugated criticism of extremists on both sides; that after being the very symbol of Swedish democracy the word "compromise" has become despised because of all the renunciation it implies--nevertheless, when the "bourgeois" ruled they respected the work of the "distributionists."

Not only did they not undertake anything against the welfare state, its excesses and abuses, but they also let things go along the easiest way. After 40 years or so in the opposition purgatory, the Swedish right had long since given up any claim to economic competence, which had become the province of the social democrats. In addition, divisions among "bourgeois" parties did not make it easy to define a clear and courageous policy. When Mr Olof Palme became prime minister again, economic growth had reached level zero, industrial production was declining, prices were soaring, unemployment affected over 3 percent of the active population, which is not



much compared with other European states but means a lot in a country that had known full employment for decades. The foreign trade and payment balances were in the red for several billions of crowns (as many French francs), the budget deficit had reached unheard of levels (around 14 percent of the gross national product), and aid amounts per inhabitants were 3 times higher than in Brazil.

### The Third Way

Under these conditions, it was not easy for the Social-Democratic Party, whose minority government formed in 1982 was supported from the outside by the communists, to apply its traditional remedies: expanding the public sector. The latter was already controlling directly or indirectly 70 percent of the gross national product, and impositions were the highest in the world (51 percent). Any policy aimed at expanding the public sector would have aggravated the budget deficit, fueled inflation and seriously compromised the competitiveness of Swedish products on foreign markets.

Mr Palme refused to take the easy way. Some of his friends even blamed him for making very few promises before the 1982 elections and not even keeping the two or three he was careless enough to make. Caught between the errors of an allout expansionist policy and the derivatives of "Thatcherism," the Swedish social-democrats chose a third way, in which they have been doing quite well until now.

It is not exactly a middle-of-the-road policy. In his Rosenbad office, the head of the Swedish government explained that his strategy is both expansionist as far as public and private investments and the struggle against unemployment are concerned (full employment retaining top priority) and restrictive as far as consumption is concerned. And actually public consumption is declining slowly, and household consumption is remaining stagnant. But this is belied essentially by the industrial sector, whose production will increase by 7 percent this year, especially in export-oriented sectors. Paradoxically for socialists, Mr Palme economic policy amounts to a redistribution of the national income among capital and labor, at the expense of the latter and to the advantage of the former.

Corporate profits have soared. Four billion crowns for Volvo in 1983. The Stockholm stock exchange never had it so good. Certainly, the Swedish social-democrats have always counted on a dynamic and prosperous private industrial sector, although they always soaked up some of its profits through taxation, as they are still doing now. But many wage-earners, especially union leaders, find the medicine bitter. After seeing their purchasing power decline two years in a row, are individuals still ready to make sacrifices? The answer to this question will depend on the outcome of the current experiment. Mr Palme recognized that, although the first stage was a success, the second will entirely depend on whether or not inflation is brought under control.

When they returned to power, the social-democrats immediately struck a decisive blow: to the acute displeasure of their Scandinavian neighbors, they decided on a 16-percent "wild" devaluation of the Swedish crown to restore

the competitiveness of Swedish products on international markets. This measure came a little over one year after another 10-percent devaluation decided by the "bourgeois" government, which had no very marked effects. However, Mr Wickman, former governor of the Swedish Bank, is of the opinion that its effects were underestimated and that, added to those of the second devaluation, they led much sooner than had been expected to a recovery of exchange terms.

Since the trade balance showed an excess of 10 billion crowns already in 1983, compared with a 5-billion deficit the year before, the balance of payments will be nearly restored this year, although it was showing a 22-billion deficit.

The success of the Swedish devaluation can certainly not be emulated. It is due to the existence of a modern industry which was restructured sooner and faster than in other European countries (Sweden is the third country in the world for robots), and which is eager to seize upon opportunities to export, which result from labor discipline, dynamic salesmanship and the traditional cooperation between unions and the social-democrat government, as well as from other causes more closely related to economic conditions: the slight international recovery induced by the U.S. economy; pressures on raw material prices which prevented a flare-up of import costs; energy savings achieved in recent years; and the sacrifices required of labor, as the negative effects which the devaluation had on their purchasing power was not compensated by nominal salary increases.

#### Looking For a Wage Policy

At the Ministry of Finance, the guardian of economic virtue, people are not about to triumph. On the contrary, they insist that this is only a temporary improvement, and they warn against the return of the old demons. In the early 1970's already, recovery had brought about soaring profits, leading to wage increases as high as 20 percent per year and... galloping inflation that totally undermined the competitiveness of the Swedish industry.

The Stockholm government has two major worries, which its members consider with unequal concern: inflation and the budget deficit. The OECD just indicated that if these two parameters were brought under control, Sweden would have "a unique chance" to solve its economic problems. Mr Palme's primary concern is inflation rather than the budget deficit.

He pointed out that price increases were brought down from 10 to 5 percent within 2 years, which is not negligible. At the Ministry of Finance, an advisor to the minister listed positive factors: import prices are decreasing, public finances have lost their driving effect, the budget deficit was reduced and the monetary mass compressed. There remains a major unknown: wages.

The government which, properly speaking, does not have a wage policy, had set an overall objective of 6 percent to the wage increases negotiated by the unions and employers. That figure was exceeded by a little over 1 point, but the Ministry of Finance pointed out that when the economy is booming wage increases will be higher than conventional increases. Since their profits are

rising rapidly, employers do not feel that they must resist their employees' demands. As a result of "wage solidarity," wage increases extend from the booming sectors to ailing firms and the public sector. Yet, as was pointed out by Mr Heckscher, former Conservative Party leader: "Volvo may be successful, but that is not a reason for community service personnel to get salary increases."

This year, negotiations eluded government control, even in the public sector, as local communities, which are not experiencing the same financial problems as the central government, are setting the tone. Despite the close relations existing between the large union organization LO [expansion unknown], the Social-Democratic Party and the government (several union leaders are ministers, as is the tradition) the official line did not prevail. The employers imposed decentralized negotiations instead of the usual nationwide negotiation, and this reduced the power of the union federation but encouraged overbidding.

Therefore, Mr Palme is looking for a formula that would lead to a policy of moderate wages on a contractual basis. He organized three-party meetings on the subject and is now waiting for the social partners to submit proposals for next year. Should they not agree, the prime minister is threatening to impose moderation through legislation, a threat which is not all that serious as the government does not have a majority in Parliament to vote a wage policy. At most, it could adopt tax measures to penalize firms granting excessive wage increases.

### 3 Percent Unemployment Is Too Much

Although it was a longstanding claim of the Swedish labor movement, the creation of wage funds last fall was also designed to help labor swallow the bitter pill of wage discipline. Mr Palme doubts that such a compensating effect was achieved.

In its present form, the creation of the five regional wage funds--money for the funds will come from a tax on "superprofits" and will be used to purchase shares in private firms--is not as terrible a threat as the opposition will say. Employers fear that it may be a first step toward production socialization, which would give the unions a decisive power in firms. They are so much opposed to the funds that the government has not yet found anybody to represent the employers in the joint organizations created to manage the funds.

Another way for the government to appease the unions is to be effective in fighting unemployment. In this respect, too, some results were achieved, but a 3-percent rate is still unacceptable in a country that is used to full employment, all the more so as that rate does not accurately reflect the actual situation--to some extent, unemployment among the young is concealed by special training programs. Certainly, as Mr Palme said, the money of unemployment benefits is best used to provide work 4 hours a day for all the young under 20. But such an assistance program does not lead to the creation of permanent jobs.

Everybody agrees to some extent that the budget deficit must be reduced; in the first two years of the new Swedish government, it already dropped from 90 to 67 billion crowns. Consensus still prevails on the means that have been used until now, and the most optimistic, like Mr Palme himself, are considering a reasonable public-expenditure policy with an economic growth rate of 3 percent or so per year, which would solve the problem without hurting too much.

#### Reform of the Public Sector

Advisors to the minister of finance, Mr Kjell Olof Feldt--who, like some of his colleagues in other socialist governments, personifies rigor--explained that the mode of financing the budget deficit has changed since the end of the "bourgeois" government. The government is now having recourse to private savings, not to the banking system, and the deficit volume was reduced by "disindexing" public expenditures (they no longer increase automatically to reflect price increases) and thanks to a slight increase in indirect taxes and taxes on wealth.

They also expect much from economic growth, as recovery has already made possible spectacular reductions in subsidies to ailing companies (from 11 billion crowns per year on the average from 1975 to 1982 to 2 billion in 1984).

Finally, the social-democrat government intends to reform the public sector, the golden calf of Swedish socialism. The party is discussing the scope of that reform. In the party, no one is taking seriously criticism from the "bourgeois" opposition which, in this year 1984, is quick to see in the Swedish system the big brother announced by George Orwell. But some are beginning to think that the economic crisis might provide a good opportunity to put all dogma back into question and find solutions other than the expansion of the public sector. Apparently, this is not Mr Palme's opinion who, like the hard core, i.e. the Social-Democratic Party majority, believes that "the expansion of the public sector has not reached its limit," although it cannot resume unless the economy as a whole is growing.

A new ministry is represented in the social-democrat government formed in October 1982: the Ministry of Civil Service Affairs. Its role is to look for means to rationalize public service, to curb bureaucratic excesses, to increase the citizens' influence and to look for other means to finance that sector. Considerations range from a radical tax reform that would lead to taxation based no longer on income but on production factors, to the introduction of "expense-sharing" for certain services that would no longer be paid for by taxpayers but by users. However, the mere mention of a small contribution to the community library raised an outcry among hard-core social-democrats in the capital...

The ideological debate within the party could however become broader next fall, during the party congress which should discuss a new program. According to Professor Ruin, in charge of the political science department at the Stockholm University, the Swedish social-democrats are wondering whether they



should merely react to the neo-liberal theses of the right (Sweden, too, has its "new right") by returning to the socialism of the 1950's and 1960's, or whether they must think up another "model" in which organization forms would remain collective but would no longer be under state control, which would result in more decentralized and, in the end, more democratic structures.

#### Successful Experiment

Paris LE MONDE in French 17 May 84 pp 15-16

[Article by Alain Debove: "A Successful Experiment Which Must Be Constantly Renewed"]

[Text] The life of the social-democrat minister of industry, Mr Thage Peterson, is not as eventful as that of his centrist predecessor, Mr Nils G. Aasling, who spent a lot of his time from 1976 to 1982 meeting with heads of companies on the verge of bankruptcy. The left's economic revival policy and wage increases, which amounted to some 30 percent in 1975 and 1976, had had a disastrous impact on the cost competitiveness of several heavy industry branches after the first oil crisis: shipbuilding, mining, steelmaking, forestry, clothing and textile industry.

The governments of the time could think of no other remedy but to make billions of crowns available to prevent bankruptcies, which would have had serious consequences on employment. Many now blame them for having spent too much, yet it is a fact that when the social-democrats returned to power in the fall of 1982, they did not have to face any acute crisis: certainly, the Swedish industrial apparatus had been trimmed, but to a large extent it is now modern, competitive and better adapted to meet international demand.

Restructuring does not consist of punctual operations; it is going on continuously. In Sweden, the process was encouraged for a long time by the "wage solidarity" policy followed simultaneously by the unions and by the employers since the early 1960's.

The overall salary range of the various industry branches has become narrower, independently of performances, which has led to the following situation: a worker at the Volvo automobile factories is less well-paid than his U.S. or German colleague, but the seamstress of the Eiser textile group is among the best paid in the world. This strategy, therefore, has been to the advantage of exporting sectors, whose salary costs are not higher than in competing countries but, on the other hand, it has contributed to the regression of branches such as the foundry and clothing industries; the latter lost 30,000 out of 50,000 jobs within 12 years. The excess labor was recycled and given new jobs in booming and expanding industrial sectors.

#### Swelling of the Public Sector

Rationalizations and the introduction of new technologies, approved by the unions, were thus accelerated. But the "wage solidarity" has been seriously challenged in recent years. The Metalworkers Union has now decided to go it alone, as (considering that the company made over 4 billion in profits in 1983) the Volvo factory workers are no longer as willing as they used to be

to make sacrifices in order to improve the income of their colleagues working in companies that could not survive without state subsidies. Employers also wish to broaden again the salary range to recruit the skilled labor they need.

Another problem: the prosperous industry, which has automated its production to a large extent, can no longer absorb the excess labor force laid off elsewhere. As a result, employment in the public sector was increased at an average of 7 percent per year and, in 1978 for the first time, there were more people employed as civil servants and community and regional agents than in the industry. One Swede out of three is now working for the state or local communities, and the productive industrial sector is too small to finance these expenditures.

However, the number of industrial jobs has been reduced by 150,000 since 1976, i.e. 14 percent of the labor force. The most strongly affected branches have been shipbuilding, the Lkab iron mines in Lapland, steelmaking, the wood, paper and pulp as well as the textile industries. But all of these, except for one--the textile industry--are now showing positive or encouraging results.

For decades, the Lapland mineral basin has been a "cashcow" for the Swedish economy. The Kiruna iron mines, beyond the polar circle, are the largest in Europe. The lowermost mining level lies 775 m under the ground. The site is extremely impressive with its maze of 400 km of roads suitable for motor vehicles, and its 5-m high 2-lane galleries large enough for caterpillar and service vehicles. The underground power network would be adequate to provide light to a town of 60,000. Everyday, 35,000 tons of ore are extracted from these pits by 500 or so pit-men, alone at the controls of their machines.

#### The Revival of Kiruna

Recent years have been extremely difficult for Lkab, due to the European steel crisis, the emergence of new competitors--in Australia and in Brazil--and inadequate efforts to process the ore. The worst year in Lkab's history must have been 1982: for lack of orders, the facilities closed down for 17 weeks. Once again, the owner-state had to make up for the deficits. But today, the morale is better at Kiruna, a town of 25,000, as the restructuring plan has proved effective: annual production, which was still 31 million tons in 1974, dropped to some 15 million tons last year; the personnel was reduced by half and consists of 4,000; but--for the first time in 6 years--the company made a profit of some 20 million crowns. This improvement should continue in 1984, although the new French steel plan for the Lorraine region has caused the management to revise its forecasts downward.

Personnel reductions, which the unions accepted without going on strike, are painful in this northern region, over 1,000 km away from the capital and where there are practically no jobs except in the mine. The government is implementing a Norrland support and development plan, but it is difficult to attract companies in a province so far away from the coast and other industrial centers of the country.



The first sector to collapse in the wake of the oil crisis was shipbuilding. Less than 10 years ago, Sweden held 8 percent of the world market and ranked second after Japan. It had six large shipbuilding yards specializing in supertankers. Today, only two remain: Uddevalla and Kockums. The others were either closed down for good or reconverted successfully to ship-repairing, like Cityvarvet, or to the construction and outfitting of drilling platforms, like Goetaverken-Arendal. A total of 22,000 of the 28,000 employed in shipbuilding have lost their jobs since 1975 but, in a way, they have been the "privileged victims" of the overall industrial redeployment. Indeed, the state spent close to 20 billion crowns on this branch, to cover deficits, promote inventories and delay a reconversion that had become necessary.

According to Mr Petzaell, Industries Federation director: "It would have been smarter to inject that money into sectors with a future; bankruptcy is not always a disaster, as it can also enable you to make a fresh start on new bases and with new ideas." All the same, the nationalized Svenska Varv company, which represents 95 percent of the remaining shipbuilding yards, made a profit of 300 million crowns in 1983, and it has a satisfactory backlog of orders.

Undeniably, apart from the electronics and pharmaceutical industries, the healthiest sectors right now are the automobile and the paper and pulp sectors. The decision made by Volvo and Saab to rely on top-of-the-line models aimed at an affluent clientele proved justified and paid off. In 1983, Volvo sold 365,000 cars, i.e. 15 percent more than the year before, and it was especially successful in the United States and Great-Britain--its two largest markets outside Northern Europe. In the sector of heavy trucks of 16 tons and up, the Goeteborg manufacturer managed to retain its 8-percent share of the world market. As for Saab, it also has the wind in its sails and is about to increase its production capacity from 95,000 to 102,000 vehicles per year. In 1983, the company sold nearly as many cars in the United States as in Sweden. Also in 1983, Volvo and Saab made profits of respectively 4 and 2 billion crowns.

#### Success of the Automobile Industry

After seven difficult years that caused the downfall of companies like Vaenersborg and Munksjoe and shook up larger companies like NCB [expansion unknown], Assi and even Modo, the forestry industry, which invested a lot in modern technology, is recovering and its profits (5 billion crowns) progressed markedly last year. According to Mr Bo Wergens, director of the Pulp and Paper Manufacturers Association: "Between 1973 and 1983, we closed down 28 percent of our plant that had become obsolete. The unions understood that we could not preserve ailing units in a sector that exports 80 percent of its production (...). Our machines now have annual individual capacities of 120,000 tons. In other words, our structures have been considerably modernized and adapted to comply with new environmental standards. In my opinion, 80 percent of our production apparatus is competitive today. For the time being, the European market is sensitive and we do not want to upset it by behaving as some do, like a bull in a china shop..."

Swedish manufacturers are certainly in a position to increase rapidly their presence in Common Market countries, but they fear the Community might then take protective measures. This is a risk, they say, that they are not willing to take. On the other hand, they are quite in favor of cooperation agreements with German or French firms, preferably without any government intervention. Such "European" solutions would improve their ability to meet competition from the United States and new industrial countries.

Scandinavian company managers complain about ever-increasing social security taxes and the inflation differential existing between Sweden and its main trade partners (Norway, Germany, Great-Britain), but they also acknowledge that, after the crown devaluation, the industrial sectors that were modernized and restructured became competitive again. Even nationalized enterprises are now making profits. Certainly, problems are far from being all solved, and an official of the Board of Ironworks remarked: "Restructuring is over... for the time being, but we will probably soon have to start all over again."

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## ECONOMY PERFORMING AT RECORD PACE

Stockholm DAGENS NYHETER in Swedish 12 May 84 p 8

[Article by Bjorn Anders Olson and Clas Barkman]

[Text] Swedish industry is in high gear and is having one of its best years ever. Exports are increasing at a record pace and, after 10 years of deficits, Sweden is now operating at a surplus in its foreign trade. Nevertheless, unemployment continues to rise. Despite youth employment legislation and the economic upswing, there were 15,000 more unemployed in April than in April of last year. Unemployment will remain at a high level throughout the year. Only next year is it expected to decline somewhat.

The Swedish economy is in better shape than ever before. This year we expect a record surplus of 7 billion kronor in our trade with other countries. Next year the surplus will rise to 21 billion kronor.

S-E-Banken [Scandinavian Private Bank] is responsible for this extremely positive prognosis, which differs dramatically on several points from the predictions of the government and of Handelsbanken (see table).

Sweden in Numbers, 1984

Percent change in volume since last year.

	Government	Handelsbanken	S-E-Banken
Investments in industry	15	12	25
GNP	2.8	3.2	3.2
Exports	7.4	6.0	10.0
Imports	6.5	4.5	6.0
Trade balance, million kronor	-1	-4	+7

We asked if they were not overly optimistic.

"No, the situation is unique," said Erik Sjoberg of S-E-Banken.

"In the area of exports, we had a good year in 1983 and this trend is continuing this year. The volume has continued to grow."

"There would have to be a sharp drop in exports if the government's prediction (a 7.4-percent increase) were to be true," Erik Sjoberg continued.

The key figures presented in the table are from late April and early May. IN the January predictions, the figures from S-E-Banken also were clearly higher than those of Handelsbanken and of the government. All three increased their expectations during the first quarter, but the difference between S-E-Banken has tended to increase.

#### Optimism

"Last year we also adjusted our export prediction upward, to 10 percent, which everyone thought was overly optimistic. The actual increase was over 11 percent," said Erik Sjoberg.

One reason S-E-Banken believes in continued growth in exports is the effect of publicity from the 1983 trend. Now the increase is occurring more or less on its own.

Sweden is no longer merely an exporter of raw materials. Raw material exports are remaining at about the same level. Instead, it is the export of finished industrial goods that is increasing--by as much as 15 percent this year, according to S-E-Banken

S-E-Banken also believes that the Swedish export volume will increase as export prices rise.

"This is an extreme situation," said Erik Sjoberg.

#### Surplus

Even though Sweden will pay an estimated 22 billion kronor in interest on the government's enormous foreign debt this year, S-E-Banken believes that Sweden's total dealings with foreign countries will provide a surplus of 7 billion kronor--the first surplus since 1973 and the subsequent oil crises.

Since then, Sweden has had a combined trade deficit of 95 billion kronor.

Next year this extremely positive trend for Sweden will continue. To be sure, S-E-Banken estimates that exports will increase by "just" 4 percent in volume while imports increase by 2.5 percent. But this still will be enough to give Sweden a total trade surplus of 21 billion kronor (in 1982 Sweden had a deficit of 23 billion kronor in its trade balance).

## Saving

It is not just Sweden as a nation that will have it better. For the first time since 1979, Swedes will experience a slight increase in their living standard, i.e. increased purchasing power.

S-E-Banken estimates that real incomes will increase by 1 percent this year and an additional 1.5 percent next year. We will not utilize the entire increase in purchasing power for consumption, however. Consumption will increase by 0.5 percent this year and 1 percent next year. The rest will be saved, after many years of reduced saving.

Most people now realize that the government will not achieve its inflation goal of 4 percent this year and 3 percent next year. S-E-Banken believes, however, that inflation can be held to 5 percent this year, from December 1983 to December 1984.

Unemployment will remain a major problem, however, even though industry is operating at a high capacity.

According to S-E-Banken's predictions, there will be about as many people without work this year as last year, i.e. an average of 3.5 percent of the work force. Next year unemployment may drop somewhat, to 3.1 percent.

## 15,000 More Without Work Despite Record Figures

Unemployment is rising again.

Positive reports in recent months indicating a downward turn in the gloomy unemployment curve have proven to be overly optimistic.

This past April there were 15,000 more people without work than in April of last year. This was true even though 30,400 new jobs were created by youth employment legislation and despite the improved economy.

This was indicated by new statistics on work and unemployment from the Central Bureau of Statistics (SCB).

Unemployment rose from 2.8 percent in April of last year to 3.2 percent in April of this year.

## Longer Time

Unemployment has increased for all groups, with the exception of young people 16 to 19 years old. The massive job effort resulting from youth employment legislation for 18 and 19 year olds is responsible for the decrease in unemployment from 7.6 percent to 4.2 percent.

For young people 20 to 24 years old, on the other hand, unemployment increased from 5.4 percent to 6.9 percent.

One clear trend in the new unemployment figures is that the unemployed are remaining without work for a longer time.

In April of last year the majority of unemployed people had been without work for less than 6 months. In April of this year the majority had been with work for more than 6 months.

Thus, unemployment is increasing despite the economic upswing and unprecedented measures taken by AMS (National Labor Market Board).

In April of this year 146,300 or 3.4 percent of the work force were employed through AMS programs. The corresponding figure for last year was 125,000 or 2.9 percent. The greatest increase resulted from new jobs created at the beginning of the year by youth employment legislation, which created 30,400 half-time jobs for 18 and 19 year olds.

Combining those totally without work, those with AMS jobs, those receiving subsidies such as the handicapped, the underemployed, and the long-term unemployed, we see that 12.5 percent of the work force was outside the regular, open labor market in April of this year, compared to 11.2 percent for the same time last year.

#### Bright Spot

The only bright spot in the new statistics is that the number of available jobs at labor exchange offices had increased. In April there were 58,900 available jobs, compared to 55,600 jobs the previous year.

The number of new positions increased primarily in the manufacturing industries. Just over 60 percent of the new jobs in manufacturing required training or professional experience. This figure is higher this year than in 1983.

Labor Minister Anna-Greta Leijon would not comment on the new unemployment figures on Friday. She wanted to take her time and study them.

She announced through one of her colleagues, however, that the unemployment figure was higher than she had expected.

She said, however, that the increased number of new jobs in industry was a positive sign.

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CSO: 3650/202



## BRIEFS

LARGE TRADE SURPLUS POSTED--Sweden had a foreign trade surplus of 9.8 billion kronor for the first 4 months of this year. Last year the surplus was 3.8 billion for the same period. This amounts to an increase of almost 160 percent. According to the Central Bureau of Statistics, Sweden's exports during April were valued at 8.5 billion kronor. This was 11 percent higher than in April last year. Imports also rose by 11 percent to 17.4 billion kronor. Thus, the trade balance for April was a surplus of 1.1 billion kronor. So far this year, exports have risen by 19 percent to 80.6 billion kronor, while imports have increased by 11 percent to [illegible] billion kronor. [Text] [Stockholm DAGENS NYHETER in Swedish 16 May 84 p 9] 9336

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## ANALYSIS OF FIVE-YEAR PLAN GROWTH ASPIRATIONS

Istanbul DUNYA in Turkish 23 May 84 p 1

[Editorial: "Aspirations for Dynamic Growth"]

[Text] The target growth rate of the 5th Five-year Plan [FYP] has been finalized. Accordingly, the growth rate which is envisioned to reach 4.7 percent this year will rise to 5.3 percent in the first year of the 5th FYP. The growth rate is targeted to increase progressively from then on and is envisioned to reach 7.1 percent in the last year of the FYP.

The announcement of a 7.1-percent growth rate target within the next 5 years is an important development. This figure is the rate described as "mandatory" by Prime Minister Turgut Ozal to reduce unemployment which currently stands at nearly 20 percent.

The targeted 7.1-percent rate as well as the fact that the growth rate is envisioned to rise progressively from year to year, reflect a preference toward returning Turkey to a "dynamic growth" mode. This preference also means a rejection of the scenarios prepared for Turkey by international organizations such as the IMF and the World Bank.

Scenarios prepared by international organizations envision a growth rate of at most 4 to 5 percent in the next 5-year period. These figures indicate a desire to see the continuation of the growth performance resulting from the implementation of the 24 January decisions in the 1980's and the partial revitalization of the economy's idle production capacity. It is obvious that a growth rate of 5 percent in a Turkey with a population growth rate of more than 2 percent means the abandonment of new investments and higher production out of concern for upsetting the balance of payments. However, the yardstick of balance of payments can often carry different amounts of significance for those who live in a country and for those who view the country from outside. A country which resolves its balance of payments problem by cutting back on investments and production and by agreeing to become poorer under the guise combating inflation is the least risky situation for those looking from outside. However, for those who live in that country, this situation means the indefinite postponement, if not the end, of their hopes of growth and development.

In the 5th FYP, the government does not seem to have heeded the advice of these scenarios. The government has not abandoned its goal of combating inflation,

but has endorsed the position that this must be carried on concurrently with an effective program to stave off recession.

As a result, the government may have to spread its anti-inflationary campaign over a longer period of time. The fact that the period over which inflation is envisioned to be reduced to below 10 percent has been increased to 5 years in the 5th FYP, in contrast to the 2 to 3 years forecast in the initial days of the administration, can be considered a result of this necessity. Because the experience of the last 4 years has clearly shown that the goal of rolling back inflation over a short period of time conflicts with the goal of staving off recession. Consequently, if it is desired to overcome recession and to return Turkey to a dynamic growth mode in the coming days, there should be no speculation about whether the government should spread its anti-inflationary campaign over a longer period of time.

Furthermore, one must not forget that leaving the determination of prices to market forces as part of the transition into a market economy also raises difficulties for the campaign to control inflation. It also conflicts with the goal of encouraging private enterprise. Because it is hard to ignore that the low-price policies of the public corporations has given a boost to industries that use the products of these corporations as their input materials.

It is true that returning Turkey to a dynamic growth mode will bring with it certain major problems and irregularities. But the root of Turkey's problems is its inability to achieve higher growth rates.

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CSO: 3554/231

## ACADEMIC ON NEED FOR QUALIFIED TURKISH MANAGERS

Istanbul DUNYA in Turkish 23 May 84 p 3

[Interview with Bosphorus University professor Arman Manukyan by correspondent Ozer Akman]

[Excerpts] It was stated that Turkey can train managers who can meet world standards, but that lessons must be learned from the experience of the West. It was proposed that managers from abroad should be brought only in instances where expertise is essential and that Turkish managers can contribute more to Turkey and yet cost much less.

Arman Manukyan, who has served on the faculty of the Bosphorus University for 25 years as an accounting professor and who has helped in the training of thousands of managers for the Turkish private sector, responded to DUNYA's questions:

DUNYA: What, in your opinion, are the qualified personnel deficiencies of Turkey?

Manukyan: I see this deficiency for qualified personnel mostly in the management area. This deficiency was more acute in the past, but it has begun to be filled gradually in recent years. We still do not have enough qualified managers, but the gap is smaller compared to 20 years ago. For example, certain new practices, such as part-time employment of students, is gaining wider acceptance. Student employment is one of the essential elements of management training in the West. Such training plays a major role in success after school. In addition, the universities must establish closer relations with the business world and must develop these relations. Here, too, ties with graduates are important.

DUNYA: There have been rumors recently about importing managers.

Manukyan: This is not entirely unfeasible. For example, if there are a thousand soccer teams in Turkey, perhaps 15 are being trained by foreign coaches. Now one may ask if Turkish coaches could not train those teams. But the foreign coach brings with him certain novelties which are needed. Similarly, managers can be imported, not generally, but in sectors that are in need of expertise. For example, I think that it would be sensible to make use of the West's experience in areas such as hotel management and major infrastructure management. We can, for example, have visiting foreign faculty members in

universities. But I disagree with the idea of importing managers on a broad scale for every type of work. We can train our own managers. The state of the private sector can be compared with the university example. Like foreign faculty members, foreign managers will also have a hard time adjusting to Turkey's work environment and achieving success. Managers trained in Turkey have a higher chance of success from a perspective of adjustment. Furthermore, we must not forget that foreign managers come at a very high cost. I think that it is better to send Turkish managers abroad for studies and training and employ them here than to import foreign managers.

DUNYA: It is alleged that qualified managers prefer to go abroad and work there.

Manukyan: In my opinion, the most important issue there is that they achieve high incomes. But I do not see a general trend of university graduates going abroad and staying there permanently. If they go, they stay there temporarily. And I support such movement on condition that they are temporary, because they gain a lot of experience. This arrangement is already present in our government. There are a large number of high-level government officials who sometimes go abroad for training. Let us also state that Turkey has good opportunities for managers. We must see that. There are also moral aspects, such as a man's obligation to serve his country.

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## KNOOPS ON ENERGY CONSUMPTION, NATURAL GAS POLICY

Brussels LE SOIR in French 17 May 84 p 7

[Article by M. Vanden Driessche: "Knoops' Energy Balance: Less Consumption and Too Much Gas"]

[Text] Etienne Knoops, secretary of state for Energy, developed new elements in the energy policy this Tuesday. Insisting on the fact that it is a long term policy, Knoops emphasized certain basic changes. He also admitted that the government had recently asked its private partners at Distrigaz to reclaim their shares and that it had been refused.

Echoing the European commissioner Etienne Davignon, Knoops announced that total energy consumption continued to drop in 1983 but that there would probably be a stabilization in 1984.

So our nation is less dependent on oil suppliers, while electricity consumption has taken off again, increasing by 2.5 percent, to reach a record level of consumption, which, according to him, confirms the necessity of a specific examination in the area of electricity.

On the subject of prices, Knoops noted that they have dropped, although certain ones remain at a high level, particularly natural gas. And it is probably prices that have contributed to changing attitudes and promoting conservation in this area, unexpectedly, since overall consumption has been reduced by 20 percent since 1979. Consequently, our energy bill has also been reduced, since the prices of petroleum products have all dropped and national nuclear energy is taking over for other energy sources.

Knoops took this opportunity to insist on the fact that efforts on the more rational and effective use of energy must be continued.

But it was gas that held the attention of Knoops who spoke of the "Distrigaz ostrich policy." Because, while the evolution of natural gas consumption, which covers a fifth of our needs, is slightly positive in public distribution and industry, the increase is specifically due to its use in electricity plants which buy gas only at a reduced price, that is, at a price below that paid by Distrigaz, and 45 percent below the price to the public, the minister



assured, admitting that the reason is due to surpluses. However, Knoops paid homage to the fact that Distrigaz did not pass on all of the "border price" hikes in its sales. But he also recalled that firm industrial customers are becoming rarer and that their consumption has dropped 30 percent in 4 years, specifically because of the high prices.

The minister also emphasized the acute problems raised by supply: on the one hand, quantities well above our needs, for which contracts have been signed, particularly when they have the clauses "take or pay" or "minimum bill;" on the other hand, because of their price. That is why Algerian gas is sold, delivered to the border, 50 percent higher than gas from Holland or Norway.

#### Two Questions

Then Knoops raised two questions: in the first place, if everything is going so well in the gas sector, why did the private sector refuse to buy out the public majority of Distrigaz, as Mark Eyskens and he proposed? Next, is it reasonable to declare brazenly that all is well, particularly to the Norwegian and Algerian suppliers, when those responsible for the sector are well aware that the contract for purchase of Algerian gas is due to be renegotiated at the end of 1985?

"My conclusion," declared Knoops, "is that it is dangerous to leave the management of Distrigaz to lame duck directors under such difficult circumstances," alluding to the fact that the Council of Ministers considered that the positions of president and delegate administrator of Distrigaz, Van Hecke and Haveaux, respectively, should be changed, which has still not been done. And to insist on the responsibility of the National Company for Material Investment, which holds 37 percent of Distrigaz and which, through the voice of its president Henri Neuman, has communicated several times that it saw no reasons for it...

Finally, Knoops worried about the electricity rates and pleaded in favor of an examination of professional rates by asking for a particular effort of electricity producers in favor of the small and medium size firms. Likewise, he deplored the problem of electricity cutoffs and explained their social consequences.

#### In France Too

In addition, it has been learned that Gaz de France is attempting to obtain a large reduction (10 percent) in the price of Soviet gas, delivery of which began 1 January, because of the excess supply. Renegotiations can only apply to prices but Gaz de France would accept linking them to renegotiations of quantities. Gaz de France still intends to negotiate the extension of its contract with the Dutch Gazunie [company] while it judges the prices required by the Norwegians "much too ambitious" and has to wait for the contract to expire in order to review the clauses of its Algerian contract.

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## GOVERNMENT PROPOSED POLICY CHANGES WOULD CUT STATOIL

Oslo AFTENPOSTEN in Norwegian 7 May 84 p 35

[Article by Bjorn H. Tretvoll: "Statoil's Gross Income Will Be More than Halved"]

[Text] Statoil's total operational intake will be more than cut in half in the 1990's as a result of the changes the government is proposing in the recently presented Storting report on the government's participation in oil activities. In the report the government does not present figures on how the company's surplus is expected to develop under the new rules.

The government's idea is that significant amounts of the gross income that come to the national shares in the oil and gas field are to go directly into the national coffers. How much this will be will vary to a great extent with the development in oil prices. In the Oil and Energy Department's alternative with low price increase, the gross flow to the national coffers will be about 15 billion dollars in 1990. Statoil will keep a gross operational intake of 15-20 billion kroner. In the year 2000, the corresponding figures will be 40 billion kroner to the government and about 20 billion kroner to Statoil. These amounts are given in kroner with a value corresponding to the value of the krone in 1983. The effect of inflation will make the figures measured in current kroner significantly larger.

The government's proposal is that the government's shares in a series of fields that have not yet come into production be changed. In those blocks where the national share is 85 percent, that is in Gullfaka and in the Troll blocks 31/3, 31/5, and 31/6, Statoil will receive 12 percent while the state itself will get 73 percent of the gross income. In Heimdal, Statoil and the state get 20 percent each. In Oseberg the corresponding distribution is 14 percent to Statoil and about 49 percent to the state, while Statoil gets 30 percent at Sleipner and the state's share is 35.8 percent. On Troll West (Block 31/2), Statoil's share is 21 percent while the state gets 54 percent. The estimates for Oseberg, Sleipner, and Troll West presuppose that the rights for an increased state share such as the so-called sliding scale determinations allow for are used. In Oseberg it presupposes that the determination only be used with foreign companies.

Since Statoil is keeping its share in the Statfjord field, these changes will mean that in the next few years one will receive extensive direct payments from the state treasury to finance the state's share of investments in new fields. In the next few years, Statoil will receive a better flow of cash than the company would have with unchanged rules.

The total national investment in the oil sector will not be changed. If one presupposes that Statoil's investments would be financed from loans from the national treasury if there had been no change in the rules, then the total national cash flow from oil activities would not be weakened either.

In a situation with rapid price increases for oil, Statoil's total operational income at the turn of the century will reach over 120 billion in 1983 kroner with unchanged rules. The changes the government is now proposing will reduce this gross income to under 50 billion kroner.

Even if there is agreement between the government and the Labor Party on the main elements in the idea now being proposed for Statoil's operation, no agreement has been made as AFTENPOSTEN understands it on the concrete distribution of income from all the nondeveloped fields. These figures will therefore be the subject of a political tug-of-war in the Storting.

The government will also make it possible for Norsk Hydro and Saga Petroleum to buy from the government's oil royalty. These two companies can take over an amount from the state that corresponds to their own production. This will be evaluated field by field, and the Oil and Energy Department will in each individual case set the amount that can be sold to these two Norwegian companies. The determinations for the Gullfaks fields, for example, are that Hydro, which has a share of 9 percent, will be able to get another 9 percent of the field's production by way of the government's oil royalties. The report does not say anything on how far Hydro will get the direct opportunity to build up a marketing system for gasoline and oil products in Norway.

In the report the government does not say definitely either whether Statoil will be able to expand its marketing activities abroad. It says that a possible engagement in refining and marketing abroad must be evaluated in connection with a concrete proposal.

There will have to be negotiations between Statoil and the Oil and Energy Department on the distribution of gross royalties and income for those blocks where no finds have been made yet. In new concession rounds Statoil will no longer, as it is now, be required to take at least 50 percent in all blocks. The company will determine for itself which blocks it wants to attempt.

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## GOVERNMENT ALLOWS PRIVATE FIRM TO MARKET GASOLINE IN COUNTRY

Oslo AFTENPOSTEN in Norwegian 18 May 84 p 26

[Article by Bjorn H. Tretvoll: "All-Clear Signal for Hydro-Gasoline in Norway too"]

[Text] The Oil and Energy Department has given Norsk Hydro the all-clear signal to establish its own sales and distribution system for gasoline and oil products in Norway. At the same time, the department agreed that Statoil will take over the operational responsibility for the planned extension of the Mongstad refinery.

In a letter to the Storting's Industry and Energy Committee, Oil and Energy Minister Kare Kristiansen agreed to change the earlier agreements between the companies that Hydro would give up its right to operational responsibility for the Mongstad expansion while at the same time the company is freed from the condition that it not begin its own marketing of oil products in Norway before 1990.

These changes are expected to go into effect as soon as the Storting approves the Mongstad expansion.

Information Director Odd Gullberg in Hydro is satisfied with this development. Hydro has taken up the question of the company's marketing in Norway after the conditions are changed that formed the basis for the agreement in 1976. Hydro is, among other things, no longer a co-owner in Norsk Olje.

Significant structural changes are now taking place in the refining and marketing sectors of many West European countries, and in Scandinavia as well. Hydro's fear is therefore that the companies will have problems if one had to wait all the way to 1990 before one could begin to build up one's own apparatus for domestic marketing. Hydro now has its own sales companies in Denmark and Sweden.

"At present we have no concrete plans on how this marketing apparatus will be established. We will now evaluate the possibilities more closely and look at various solutions," Gullberg said. Both the purchase of existing distribution chains and cooperation with other companies are current possibilities.

Oil and Energy Minister Kristiansen told AFTENPOSTEN that he considers the new agreement a good arrangement that creates clear lines of responsibility. "It is natural for Statoil to get the responsibility for the Mongstad project, and Hydro should now be freed from the limitations that have been placed on the company up to now on the sale of gasoline and other oil products here in this country," he said.

It is primarily Statoil that has worked out the plans for the Mongstad expansion. It now seems that Hydro's share of the new upgrading units will only be 15 percent, according to the department's letter.

This share will increase Hydro's gasoline intake by 190,000 tons to 330,000 tons per year. This corresponds to a whole 12 percent of the Norwegian market, and the department has found it natural that Hydro get the opportunity to exploit the possibilities of sale on the Norwegian market as well.

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CSO: 3639/115



## HYDRO FIRM TEST DRILLING INDICATES TROLL FIELD OIL FIND

Oslo AFTENPOSTEN in Norwegian 4 May 84 p 34

[Article by Bjorn H. Tretvoll]

[Text] Norsk Hydro has found a surprisingly thick layer of oil in the drill hole 31/3-2 in the Troll Field. During test production about 10,000 barrels of oil a day were extracted. The oil layer is at least 11 meters thick, according to a press release from the Oil Directorate.

This well was drilled in the relatively narrow part of the Troll Field that connects the western part in Block 31/2 with the eastern part that lies mainly in Block 31/6. This well was drilled, among other reasons, to investigate whether there is a direct connection between the two parts of the reservoir.

The Oil Directorate calls the results of the test production good. The production rates are considerably larger than in the tests carried out in the oil zone in the western part of the Troll Field. But it is too early to say anything about what the consequences are that this test can have for possible oil production from the area, the Directorate stressed.

No gas/oil contact has been shown in this well. The results for this drill hole are not unambiguous, and it is therefore difficult to determine the degree of communication between the eastern and the western parts of the field, according to the press release from the Oil Directorate.

The oil column in 31/2-3 has a thickness that corresponds to the one found in the closest well in Troll-West. But there is a difference of three to five meters in oil/water contact in the two drill holes. Previous wells from the far western flank of the Troll Field have shown oil with a thickness of over 25 meters, while the drilling up to now in the eastern part of the field has only shown very thin oil zones.

In addition to oil, the production tests also produced 438,000 cubic meters of gas.

The Oil Directorate stressed earlier that Troll must be considered one field, and that expansion plans must be made from the point of view of the best possible exploitation of resources in the whole field. Now it looks as though further investigations will be necessary.



## LABOR PARTY NEWSPAPER CRITICIZES OIL CONCESSION POLICY

Oslo ARBEIDERBLADET in Norwegian 7 May 84 p 35

[Editorial: "Little is Good?"]

[Text] In the last round Oil and Energy Minister Kare Kristiansen had responsibility taken away from him for the formation of a distribution pattern for the eighth concession round on the continental shelf. Prime Minister Willoch took over leadership himself. A committee directly under the Prime Minister got a free hand to start on the distribution pattern again.

After Kare Kristiansen's early initiative for a share to Norwexplor in the Oseberg field, the Conservative Party's desire for a further division of the oil area again became current. It didn't seem to matter much that the Oil and Energy Minister's attempt to get Norexplor in was rejected both by the Center Party's parliamentary leader, Johan Buttedahl, and the party's foremost industrial policy spokesman, the chairman of the Industry Committee, Reidar Due. When the proposal for the distribution pattern popped up again in the Storting, the fourth oil company had come along in the form of The Norwegian Oil Company (DNO).

The Industry Committee's chairman, Reidar Due, a few months ago characterized the proposal for a distribution of a share to Norexplor as a present pure and simple. It seemed as if the company had jumped on the wagon to scoop off the cream, Due said. And this view was also shared by many in the established Norwegian oil circles.

After the Prime Minister had intervened and Norexplor had been swapped for DNO, the Center Party's main reservations were satisfied. Against votes in the Labor Party, the Liberal Party, and the Socialist Left Party, the Storting Thursday approved DNO's receiving one percent in the very promising 34/7 Block. It is estimated that the one percent will cost DNO about four million in investments and shared operational costs, while the income over a period of time could run up to 3-4 billion kroner.

One cannot find a more appropriate designation than "present" and "skimming off the cream" for this company. But Reidar Due and Johan Buttedahl do not think there is anything more to do now. They both voted for the distribution together with the rest of their Center Party group. Nor did we hear much more

about the dangers of splitting up the Norwegian oil area. These arguments also disappeared in the eagerness to maintain the friendly atmosphere in the governmental offices.

Each time there is discussion on bringing in large international oil companies to exploit the national oil and gas resources the arguments used most often by the Conservative Party and the government are the need for knowledge and technical expertise. These are values that only the large super companies can give us. When our own oil companies are considered in connection with distribution of concessions, then it suddenly becomes very important to take possibilities away from Statoil and the established companies. The Conservative Party's representative in the DNO matter, Arnliot Norwich, could, for example, say that the nonsocialist majority's main reason was "the desire for the development of several independent and competing Norwegian oil companies." This has little to do with oil or industrial policy. But neither are these the things that lie behind the desire to split up the Norwegian oil area. To some extent, Statoil is the target, and to some extent it is ideology and the interests of private capital.

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